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FUTURE DIRECTIONS IN SOCIAL SECURITY

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HEARINGS
BEFORE THE
SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE
NINETY-THIRD CONGRESS
SECOND SESSION

PART 6—TWIN FALLS, IDAHO

MAY 16, 1974

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- Part 2. Washington, D.C., January 22, 1973.
- Part 3. Washington, D.C., January 23, 1973.
- Part 4. Washington, D.C., July 25, 1973.
- Part 5. Washington, D.C., July 26, 1973.
- Part 6. Twin Falls, Idaho, May 16, 1974.
- Part 7. Washington, D.C., July 15, 1974.
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FUTURE DIRECTIONS IN SOCIAL SECURITY

THURSDAY, MAY 16, 1974

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Twin Falls, Idaho.

The committee met, pursuant to notice, in the main auditorium, College of Southern Idaho, Hon. Frank Church, chairman, presiding.

Present: Senator Frank Church.

Also present: William E. Oriol, staff director; David A. Affeldt, chief counsel; Deborah K. Kilmer, professional staff member; John Guy Miller, minority staff director; and Patricia G. Oriol, chief clerk.

OPENING STATEMENT BY SENATOR FRANK CHURCH, CHAIRMAN

Senator CHURCH. The committee will be in order.

It was necessary for me to change my plans yesterday because of important votes in the Senate yesterday afternoon. Even so, I thought I would be here, not only in time to start this meeting when scheduled at 1:30, but also to meet with and address the Kiwanis Club at noon, but the best laid plans went awry in Chicago, and weather kept us in the air for an hour, and we left about 11½ hours late. I missed my connection in Salt Lake City, and I had to get a small plane and come by special charter flight from Salt Lake City, and, believe me, the air currents are strong over those mountains today, and we got buffeted all over the sky trying to get into Twin Falls, but that is why I am late, and being late, I think I should begin at once with the opening statement, and then we will call on our witnesses.

Once again I am in Idaho to open an official hearing of the Senate Committee on Aging.

We will take a written transcript, which will help the committee and the Congress to consider legislative proposals for older Americans.

Our subject today is "Future Directions in Social Security." And I can say that some of the best counsel I have received on this subject has been given to me by the citizens of Idaho I meet along the way—sometimes at my courthouse days, sometimes on the street corner, and sometimes at hearings such as these. Talk turns so often to Social Security during my visits to Idaho simply because so many people are affected by it.

And the first point to be made in that Social Security is more than just a retirement program for the elderly. It is also family

security—providing protection against loss of earnings because of death, disability, or retirement.

SOCIAL SECURITY AFFECTS EVERY FAMILY

In one form or another, Social Security affects the lives of almost every family in the United States.

I don't want to overwhelm you with statistical data, but I think a few key facts about Social Security would illustrate its importance for all Americans.

Today, 30 million persons receive monthly benefits. For the vast majority of elderly persons, Social Security is the economic mainstay.

It accounts for over a half of their income.

It also helps to keep more than 12 million individuals out of poverty.

Without these benefits, most older Americans would not be able to achieve a moderate standard of living.

Social Security is also vitally important right here in Idaho.

In fact, the recently enacted 11 percent increase will provide an additional \$9 million this year for 108,000 Idahoans.

Without this raise many would have slipped further behind in their race with inflation.

Our Social Security system, then, is of vital importance not only to older Americans but to other generations as well. Much depends upon how well it does its job, and this is even more true now since the Congress has added so many new responsibilities to the work of the Social Security Administration.

One of the biggest additions, of course, was Medicare. In 1965, when the Congress enacted this legislation, it was thought that just about all of the paperwork would be done by fiscal intermediaries—the insurance companies and others responsible for processing claims.

But, of course, the local Social Security offices are constantly receiving requests for help on Medicare. At the district office in Boise, I understand that five staff persons are specialists who spend most of their time answering questions about Medicare.

Clearly, Medicare has added significantly to the work load at Social Security offices.

SSA DUTIES INCREASE

But other responsibilities have been added in recent years, as well. President Nixon, at the White House Conference on Aging, said that SSA offices should provide information and referral services on aging. In other words, the SSA offices should be able to help older persons in need of a service or facts about services. Congress has made SSA offices responsible for administering black lung benefits to former miners with respiratory problems. Medicare has been broadened to include kidney dialysis, and so on.

The biggest new responsibility, of course, is the new Supplemental Security Income program, or SSI as it is known. I was one of the supporters of SSI. I believe that the time had come to replace the

inadequate and inequitable old age assistance program, which offered widely varying payments on a State-by-State basis. Not only that, old age assistance was administered through the local welfare office, causing many people to shun that program because they saw no reason to turn to welfare in their old age after avoiding it during all of their earlier years.

SSI was intended to overcome the welfare stigma. It would be administered by the Social Security Administration; and the monthly check would be enclosed with the regular Social Security check. The idea was to help those older Americans—as well as the blind and disabled—who couldn't make it in any other way. Another purpose was to bring benefit levels up to a more adequate level than was generally true under old age assistance.

One of the reasons I supported SSI is because I saw a clear need to help millions of older persons who stayed near or close to the poverty level, no matter how much Congress raised the Social Security benefits.

And yet, I did not want to disrupt one of the fundamental and essential values of our Social Security system: the principle that workers in this country contribute to their own retirement security by making payroll contributions during their years in the labor force. In other words, they are helping to pay for their own Social Security benefits.

SSI is intended to preserve that feature while meeting a direct need. And it is essential that SSI work, and work well. The Senate Committee on Aging has been keeping watch over the early months of SSI, which began in January. I am concerned by reports that some problems have arisen, not only here in Idaho, but elsewhere in the country, and I want to explore those problems here today. I also would like to give credit to those who are working so hard to make SSI work: the Social Security employees who are working after hours and on Saturdays, the volunteers of SSI-Alert, and national and local organizations concerned about aging.

If, however, problems are emerging in SSI, now is the time to face them, while the program is young.

5 MILLION ELDERLY BELOW OR NEAR POVERTY LEVEL

I have another reason for concern about SSI; I believe that it could become the means for ending poverty once and for all among the elderly of this Nation. At this time, perhaps 5 million older persons in the United States are below poverty levels or so close that they might as well be considered so. SSI, if it is improved and made more workable, can be used to help them, while still preserving the essential concepts of our Social Security system.

But only if it is a flexible and compassionate program, and only if people believe in it.

This afternoon's hearing, I want to emphasize, will not be limited to SSI, but will deal with other issues related to Social Security.

Inflation, of course, is very much on our minds. Back in 1972, when I sponsored a 20-percent increase in Social Security, it looked as if we might have at least caught up with rising prices. In that

same year, Congress approved a cost-of-living adjustment mechanism to help Social Security benefits continue to stay at least roughly in line in the race with the cost of living.

But it soon became evident that we couldn't wait until 1975, when the automatic increases were due to begin. We had to enact the two-step, 11 percent increase which is taking effect this year, because in the interim the inflation has become so much worse.

Even so, inflation has not been overcome. Unfortunately, some of the steepest increases have been concentrated in areas where the elderly have their greatest expenditures. Food prices, for example, have jumped by almost 28 percent. Certain home fuel oils have increased by an astounding 73 percent. Just think of it: almost double the amount you were paying during the fall of 1972.

This is a major reason why I supported legislation to roll back home fuel prices by as much as 40 percent. But the White House would not go along with this measure. And we were unable to secure the needed two-thirds vote in Congress to override the veto.

This is another reason why I led the successful fight to block the pay raise for Members of Congress, the Federal judiciary, and top officials of the administration. If we are going to lick inflation, we must show some self-restraint. And there is no better place to start than right at the top in the Federal Government.

Another concern of mine, one which will be discussed in testimony today, is the rising cost of health care and sometimes the unavailability of such care.

The Senate Committee on Aging recently determined that Medicare pays only about 40 percent of all health care costs of older Americans. I say that not to denounce Medicare, but to argue that it should be extended and improved. And my No. 1 priority is Medicare coverage of certain out-of-pocket prescription drugs. We will hear again today about the severe impact that drug costs upon the budget of older persons; it is high time that something be done about them.

LEGISLATION TO IMPROVE HOME HEALTH CARE

I am also hopeful that my legislation to improve home health coverage can soon be enacted into law. Many of the key concepts for that bill were developed at a hearing last year—just like the one we are conducting today—in Coeur d'Alene.

Witnesses at the Coeur d'Alene hearing repeatedly emphasized that many older Americans were placed in hospitals at a much higher public cost, simply because other forms of care were not available.

Yet, if we could just shave 1 day off the Medicare national hospital average, we could produce a savings approaching \$400 million.

Most older Americans also would prefer to remain in their homes, rather than being institutionalized, if appropriate forms of care are available.

I will not at this point give a detailed description of legislation which I have introduced to improve economic security in retirement years. I hope to have that opportunity as the hearing continues.

Let me close by saying that I will make every effort in the next few months to advance a bill of mine to establish the Social Security Administration as an independent agency, outside of the Department of Health, Education, and Welfare. It is essential that SSA, which has been remarkably free of political manipulation, continues to remain so. Those who hold elective office should not be permitted to use the system to promote their candidacy. My bill would prohibit insertion of self-serving statements in the envelope used for Social Security checks.

All in all, Social Security has served us well since its enactment in 1935.

This hearing, and others I have conducted in Washington, will help to assure that it continues its work on behalf of all citizens, young or old, present and future.

I can now save my time and yours by calling our first witness, who is here to give us a few words of welcome. He is the president of the College of Southern Idaho, an outstanding citizen of this valley and I am very pleased to call Dr. James W. Taylor.

Let me say that Dr. Taylor has given us wonderful cooperation in all of the arrangements given for this hearing this afternoon.

Dr. Taylor, we appreciate everything you have done, your staff in the courtesies your college has shown in making these arrangements.

STATEMENT OF HON. JAMES W. TAYLOR, PH. D., PRESIDENT, COLLEGE OF SOUTHERN IDAHO

Dr. TAYLOR. Senator Church, distinguished platform guests, senior citizens, ladies and gentlemen, it is indeed a pleasure for me to welcome all of you to the College of Southern Idaho.

We feel very strongly that this college is a people's college. We have tried to develop the college in such a way that it meets the approval of not only the community college district, but likewise the citizens of this great State.

There are a few things that we have attempted to do at this institution, which I feel has significant value for senior citizens. It is our feeling that we have responsibilities to develop new innovations in curriculum so that learning experiences might be helpful and beneficial to our senior citizens.

In order to do that, we have developed this institution so that it is practically free of physical barriers for the aged, or the infirmed.

We have developed in our curriculum programs that senior citizens can retrieve from our library, where they can study individual studies, where they can make movement in this direction as freely as they would like.

Likewise we have developed physical therapy, and physical activities in our fine gymnasium, with a special room designated for senior citizens to use to the extent that they are capable.

PROUD OF RSVP PROGRAM

In addition, we are quite proud of our local unit of the Retired Senior Volunteer Program. Under this program, we have devised

what we call a gold card, which enables the senior citizens to attend the various activities that occur on campus.

These activities are sponsored by our student association, and they are free to our students, and they are free to our senior citizens.

In addition, we have established tuition-free courses for senior citizens. We have provided work opportunities for the retired people that have special skills, we have included in our monitoring and instructional programs these work opportunities.

Older people that have skills, we have employed them in various facets of the college, and, of course, I guess for one thing that most of you have enjoyed in the last few hours is riding in our golf carts, and I am quite sure some of you that have ridden, are not really infirm, but you are attracted by the wheel, but we wish you well, and we certainly will continue to do all we can for you.

Other things that I think we could and should do for our senior citizens are the things that you or individuals would want this institution to do.

Again, it is my personal privilege and pleasure, Senator Church, to be here, and to welcome your committee, and most especially to welcome the CSI, the Senior Citizens, Inc., of this State.

Thank you. [Applause.]

Senator CHURCH. Thank you very much, Dr. Taylor. I think everybody appreciates the concern that you have shown for the senior citizens of this college campus, and the way you have designed the facilities here.

The ramp, for example, that Dr. Taylor is now using, is an illustration of the way the architects have tried to eliminate barriers, and all it takes is a little understanding of problems that older people do have with steps, and other barriers, and they can be eliminated in the planning of the building, without any additional costs, and this is one of the few campuses, I think, Dr. Taylor, anywhere in the country where this was taken into consideration when a building was planned, and I hope it will serve as a good example for institutions everywhere.

The only thing I wanted to add, Dr. Taylor, I would like to ride with you in one of those golf carts before we are finished.

Our first panel this afternoon—from the Twin Falls area—will give first hand testimony on matters relating to Social Security. I am going to ask them to come forward, as I introduce them to you.

First of all, Mrs. Ruth Mitchell, Kimberly director, area four planning and service task force on aging. She is in the midst of developing an areawide agency for south central Idaho, is a member of the Senior Citizens, Inc., a licensed practical nurse, and takes special interest in the health problems of the elderly.

Mrs. Mitchell, we are very pleased to welcome you this afternoon. [Applause.]

Please be seated.

Our next panelist is Mrs. Elsie Lindgren. She is a RSVP volunteer from Twin Falls, a retired teacher, and is concerned about low-retirement income of many people she knows.

Our next witness is Mrs. Edna Belle Oslund, also a Twin Falls RSVP volunteer. She serves on the Governor's Council on Aging,

and is concerned about SSI limitations relating to property ownership.

The next witness is Howard Burkhardt of Twin Falls, also a RSVP volunteer, and a former member, Twin Falls Counsel. Mr. Burkhardt is past 72, and he has some thoughts about the retirement test.

Our next panelist is Mrs. Mildred Howard of Hansen, chairman of the board for the Ruth Mitchell Senior Citizens Center, and she is concerned about prescription drug problems.

We also have Earl Long of Murtaugh, who is concerned about disabled persons who cannot receive Medicare, as well as other problems affecting the disabled.

And finally, we have Juan Trevino, of Twin Falls, accompanied by Al Reyes, community specialist of the south-central community action program.

Mrs. Mitchell, I am told by members of the staff you were very helpful in arranging this panel for us. I want to express my appreciation to you, and to others who have been so helpful.

Now, Mrs. Mitchell, would you like to take charge.

STATEMENT OF RUTH MITCHELL, DIRECTOR, AREA FOUR PLANNING AND SERVICE TASK FORCE ON AGING, HANSEN, IDAHO

Mrs. MITCHELL. Mr. Chairman, ladies and gentlemen, I am Mrs. Mitchell. I reside at Hansen. I am director of the area four planning and service task force on aging, vice chairman of the RSVP board of directors, along with others, and I am a licensed practical nurse.

The Area Four Council on Aging represents eight counties of southern Idaho. Our main objective is to provide the needed services and recreation for senior citizens. This morning we announced to the Idaho Office on Aging that we wanted the College of Southern Idaho to be our planning and service agency for area four.

I have been director of ageless senior citizens for 2 years. Prior to that, I worked at Magic Valley Memorial Hospital, and in nursing homes for a good number of years.

During that time, I saw senior citizens in poor physical condition. Naturally, poor physical condition generates poor mental condition. I have seen senior citizens and disabled persons not living, but existing on \$87 a month.

This will not cover the necessities of life, such as clothing, food, shelter, and utilities, let alone medical attention, transportation, or recreation.

Therefore, I feel that Social Security, Medicare, and SSI are inadequate.

I have assisted senior citizens with applications, and in many cases we have had no response for as much as 90 days.

SCREENING CLINIC ESTABLISHED AT CENTER

In our center, we have established a screening clinic for such problems as high blood pressure, ulcers on legs due to poor circulation, questionable lumps, warts, moles, or unusual symptoms.

If any of these conditions are found, we contact the doctors. Throughout our clinic, we have found one skin cancer, two undiag-

nosed diabetics, three extremely elevated blood pressures which were high enough to cause strokes, and one case of tuberculosis.

All are being treated, and are now under control. I could expound for an hour or better on problems that I have seen but I feel that our seniors can tell you their problems much better than I can, so at this time, I would like to turn the microphone over to Mrs. Elsie Lindgren.

Senator CHURCH. I just want to make one comment before we move on with the panel. That is the very thing we are trying to get at with the SSI program, to eliminate these cases you referred to with \$86 a month; nobody can live on \$86 a month anymore in this country. The purpose of SSI is to reach down to these people that are at the bottom of the ladder, so to speak, and supplement their income.

If a person is getting only \$86 a month, and has no other outside income, then we ought to make up the difference between \$86 and \$140 a month, which was to be the minimum for an individual retiree, \$210 for a couple.

Now, that is the national standard. In Idaho, we supplement that—the State supplements it—so that the individual should be receiving at least \$182, and a couple \$234. But if this program works the way it should, we have to eliminate this problem of people struggling to get by for less than \$100 a month, once and for all.

Mrs. LINDGREN. Senator, that is the problem that I would like to discuss.

Senator CHURCH. Good.

STATEMENT OF ELSIE LINDGREN, TWIN FALLS, IDAHO

Mrs. LINDGREN. These people who have reached the age of 80, 90, up to 100 years of age, who had no opportunity to contribute to Social Security, or to any other retirement benefit, and who now must try to get along, it was not their fault that they did not contribute, because there was no Social Security.

I am thinking in terms of my foster mother, who died 2 years ago, on her 100th birthday. She was getting \$44 a month Social Security. Of course, you know what she could do with \$44 in this day and age, and she had been a teacher, but there was no teacher retirement while she was teaching.

Someone made the remark to me the other day, why do we have to increase our payments to Social Security to take care of all those old people.

They would not wish it that way, but there is no choice in the matter. My mother started teaching in Kansas in 1892 for \$25 per month. Her last year of teaching was in 1929, and she got \$65 a month.

Now, you say, why did not you save up something for the future. Well, you know what could be done under those circumstances, and so I do feel that we have to take a more charitable attitude toward those people who would really have contributed if they had the opportunity to do so.

That is why I am so glad to see this new program which you spoke of, Senator, because they worked just as hard, maybe harder, and you can say, well, why were they not taken care of in their homes, and by families, and so on.

PRIDE AMONG OLDER PEOPLE

There is a matter of pride among older people, much as you love the families, and as much as they love you, you hate to be a financial burden to them, if you could be independent and help to contribute to the care, that is a different matter.

Now, my mother was a foster mother, and I cared for her, I tried to make her feel that she was not a burden to me, and she really was not, because she gave me love and understanding, that as a motherless child I had not had, and I was glad to care for her, but think of the thousands of older persons who have nobody to take care of them, and so I hope that we can be at least a little bit enthusiastic about doing something for these elderly people.

Thank you, Senator, for your efforts in this direction.

[Applause.]

Senator CHURCH. I can understand, hearing you speak, why you are a member of the International Platform Organization.

Mrs. LINDGREN. By the way, Senator Church, you and I belong to the same organization.

Senator CHURCH. That is right. Well, let me just make this one comment. You make the case so well, it does not need any addition from me. Many of those people you spoke of who were the teachers, let us say, or working in other ways back in the 1930's, and getting less than \$100, could only contribute on the basis of what they received, and 20 years later the money they put into the system was only a third as valuable. When they begin to receive benefits based on those small contributions, inflation has distorted Social Security, and made it necessary to establish this supplemental program.

If it had not been for inflation, it may never have been necessary, but with the inflation and the purchasing value of the dollar, the people who contributed on the basis of those small salaries back in the 1930's, were getting a pittance, when they began to draw their benefits.

They are the ones I feel are most in need of help.

STATEMENT OF EDNA BELLE OSLUND, TWIN FALLS, IDAHO

Mrs. OSLUND. Thank you. I would like to speak to an inequity that I feel exists, which goes to the Supplemental Security Income program, and my remarks are based on conversation with younger people, that I have tried to explain Supplemental Security Income to.

I do not work in the field with the ones who have needed it. I talked with people who looked forward to caring for their own relatives in the future, and as an example, a husband was paying into Social Security at a low rate. The folks owned a two-bedroom home and a car.

The husband died, the income ceased immediately, and Social Security began. The widow knew very well she must sell her car which was done immediately, she put her house up for sale immediately, and it was sold for \$15,000.

This \$15,000 was safely invested, perhaps not advantageously, but safely invested, and consequently, that is her income; she must live on what she gets from that, and on her Social Security, and she must nibble away at the principal.

Now, then, another couple, may own their own home valued to \$25,000, they may own a car, \$1,200 to \$1,400, they may have available cash, instant cash in the form of a passbook up to \$1,500, and this makes quite a difference between \$15,000 invested, that the lady is having to nibble away at, and I feel that there must be some adjustment made here so that the lady who has her income, which is decreasing, while the value of the house in this age is appreciating, and so that is my problem, Senator Church, and I do feel that it is completely legitimate.

Senator CHURCH. I think it is a legitimate problem also, and I think we will have other examples of problems of this kind.

The SSI program is so young that these things have to be worked out, one of the first purposes of the old SSI hearings was to find out what the problems were. You certainly put your finger on one of the problems.

Mr. Burkhart.

STATEMENT OF HOWARD BURKHART, TWIN FALLS, IDAHO

Mr. BURKHART. Senator Church, I have been thinking about inequities for a long, long time.

I have been connected with income tax since 1937, about the time this program went into effect, and there are a few things that I think that are not equitable.

One of them is that there is certain income that is exempt from Social Security tax, that is just as valuable to the individual, and should be taxed along with the money they earn, while working or operating a business.

If a man has a \$8,000 salary, he pays a Social Security tax on the \$8,000, but he is exempt with regard to interest on any dividends and rents that he receives. All are income and should be included in the Social Security program.

Some say, well, he saved his money, and so on, but personally, I think that is income, and especially in this program, when money is needed very, very badly, it has been acknowledged that we ought to turn to that type of interest, I mean income, for Social Security purposes.

For a man who has a salary of \$8,000, he pays Social Security tax on the \$8,000 and he has \$2,000 or \$3,000 net income from rent, that is income, the same as he reports for Social Security tax purposes, and should be taxed the same as salary.

Senator CHURCH. I say it might even be to his advantage, not only to the advantage of the system, but to his advantage also, because

it would mean that his level of benefits would be increased when the time came for his retirement.

Mr. BURKHART. That is correct.

Senator CHURCH. It is a very interesting suggestion.

Mr. BURKHART. So that would take in interest, dividends, and rents. I do not know whether we would want to consider long-term capital gains or not, that might hit a very tender spot.

Senator CHURCH. Yes.

SOCIAL SECURITY IMPROVEMENTS NEEDED

Mr. BURKHART. But it is still income, and sometimes I think that long-term capital gains is not equitable. Why should a person only pay tax on half of the gain? I feel that something can be done in that respect in order to have more money, in order to do the things that you want to do. Social Security, I think is a wonderful program, and just needs to be improved.

Senator CHURCH. You make a very interesting suggestion.

You know, the Congress considered how to finance the additional benefits inflation has made necessary, and one way of doing this is to increase the rate of tax. We have about reached the highest level of tax that we can impose, and another method has been to increase the base on which the tax is levied. You suggest still another way that we might be able to augment revenues for the system that would neither require increasing the rate nor extending the base, but include other types of income.

Mr. BURKHART. I think it could be done also without possibly increasing rates, it might be to lower rates.

Senator CHURCH. That is one possibility.

Mr. BURKHART. And still have additional incomes that would help to take care of some of the needs relating to the Social Security program.

Senator CHURCH. It certainly is a suggestion. Mr. Burkhardt, we should take it very seriously, and look into it. We appreciate your making it.

Our next witness is Mrs. Howard.

STATEMENT OF MILDRED HOWARD, HANSEN, IDAHO

Mrs. HOWARD. I represent the Ageless Senior Citizens of Hansen, Kimberly, and Murtaugh, and I do believe in Social Security and Medicare, and I think they are one of the greatest things our Government has produced in my lifetime.

It affects every man, woman, and child in America. Sooner or later, all must have Social Security.

I believe in the principle, it was designed to serve the people, the majority of the people. Medicare is a godsend.

There is a minority that does need it, that are not getting it, and this is what I would like to talk about, this minority that does need more for prescription drugs.

There are people, aged 62 or older, who do not have enough quarters to qualify for Social Security. Others are not eligible be-

cause they worked on jobs such as civil service. Without Social Security benefit, there are no Medicare benefits. These people many times are in low income groups, who need medical assistance.

Their income is a few dollars too much to qualify for Medicare assistance, but they have the needs as the persons who hold the Medicare cards.

I worked for civil service, and I do not have enough quarters to qualify for any Social Security benefits.

People who have Social Security and Medicare in low income groups have their problems also. One year ago, the cost of living was much less than today. For instance, here fuel oil was 19 cents a gallon, and now it is 36.3 a gallon, and they tell us another raise is in progress.

Heat for the elderly is a must for health's sake. Cost of staples such as flour, sugar, meat, milk, potatoes, fruit, and vegetables, are at an all-time high. Costs of electricity, water, sewer rents, and so on, are going up.

Doctors' fees, medicines, and hospitalization have increased far beyond the increase in our Social Security income and benefits.

Medicare is nearly useless to some low income people. It takes all they have to purchase their food, shelter, and necessities.

I am speaking of people who have, in many cases, just a few dollars above the amount to qualify for welfare, SSI, and Medicaid. Where will they get the first \$80 of the hospitalization, the first \$60 of the doctor bill, the increase and large percent for the cost of illness of hospitalization and medicine? Medicare does not cover it all. All prescriptions at all times are needed under Medicare.

ASSISTANCE NEEDED FOR MEDICAL CARE

If you cannot get the money, Medicare is useless to you. Only the people in an income bracket who can purchase supplemental insurance to pay for Medicare or people with Medicaid cards, or the persons with enough money who did not need it in the first place that really benefit.

I work regularly with senior citizens. I have acquired the knowledge of these people that are financially in need of Medicare. We are thankful for all Social Security benefits, but we need added legislation to cover people who receive no assistance to Medicare or Medicaid.

We need assistance that will cover all of the people's medical needs. There is an urgent need for payments of prescription drugs for these and many other qualified persons under Medicare.

All one has to do is talk to the county commissioner to find out how many emergency debts are paid each month through their office.

I thank you.

Senator CHURCH. Mrs. Howard, I could not agree with you more, when you say Medicare has been a wonderful program, but the gaps in it are very big. In fact, you have to be pretty sick, and you have to go to a hospital, before you get any benefits from Medicare.

If you need a medical examination, or if you need eyeglasses, or dentures, or a hearing aid, or foot care; none of that is covered by

Medicare. There is also the problem you mentioned as to the deductibles, but in thinking of all the gaps, the worst has to do with the prescription drugs that people have to have, those chronically afflicted in later years, and unless they are hospitalized, Medicare does not cover it.

Mrs. HOWARD. That is correct.

Senator CHURCH. And people on limited income are spending a fourth of their incomes. I know of a case where the person involved had to spend a third of her income regularly just to cover the medicine, and, of course, she just did not have enough to go around, there just was no way for her to cover the other bills. I do have a bill pending in the Congress, and I hope the first improvement we can make in Medicare is to have it extend to the out-of-hospital prescription drugs for people who have afflictions that require regular prescriptions. I think this would be the next step that we could take to improve the Medicare program. [Applause.]

Mrs. HOWARD. It would give these people an extra sum of money to buy other needed items if their prescriptions were cared for, and I know that I have dealings with these people, and that prescription drugs is a very definite need.

Senator CHURCH. I am sure you are right.

Mr. Earl Long.

STATEMENT OF EARL LONG, MURTAUGH, IDAHO

Mr. LONG. The thing I wanted to bring up has been talked about two or three times.

I am totally disabled, and cannot work anymore. I have a heart disease and crippling arthritis.

My wife never paid any money into Social Security, and if she gets sick and had to go to the hospital, I would like to see something done about getting her a little help.

There are others in the same boat, too, and she does not draw any money of any kind from Social Security. I draw a small check from Social Security, but it is not near enough for the two of us to live on. I would like to see something done.

Senator CHURCH. Would your wife mind if I asked you how old she is?

Mr. LONG. She is 56.

Senator CHURCH. She is not eligible for Medicare; has no hospital coverage?

Mr. LONG. No, nothing.

Senator CHURCH. Well, you know, there are several plans for national medical insurance being considered by Congress. There is a plan that has been submitted by the administration, there is a plan being sponsored by Congressman Wilbur Mills and Senator Kennedy, and there are several other variations.

These plans would try to take care of medical disasters, heavy medical expenses for the whole population, and something of this kind is needed today, just to avoid the complete wipeout that many people experience, when somebody in the family falls seriously sick.

I think Congress will enact one plan or another sometime within the next year or so, because it is coming to a head now. The

various plans have been submitted, and the choice will have to be made, but this may reach, at least to some degree, people who like your wife, have no meaningful medical coverage.

Mr. LONG. There are a lot of people like that.

Thank you. [Applause.]

Senator CHURCH. Thank you, Mr. Long.

Mr. Reyes, could you introduce Mr. Trevino to us, please.

STATEMENT OF AL REYES (FOR JUAN TREVINO), TWIN FALLS, IDAHO

Mr. REYES. My name is Al Reyes. I am with the South Community Action Group. Mr. Oriol asked me if I could translate, because we have a translation problem: this is Juan Trevino, he is a diabetic, and is disabled at this time. He is 60 years old, and has a medical problem with Medicaid.

It seems that right now the Medicaid is not very effective in this area. About 2 or 3 weeks ago, Mr. Trevino just about died, and due to the fact that he could not change doctors, and the doctor he was seeing would not give him the attention he needed at the time, because he was on this Medicaid, so I tried to go around, and I called the other doctors to see if I could find a different doctor for him, and they would not accept this man, because he was on Medicaid, and, finally, I got one to talk to him, and finally after they talked to him, finally they managed to get the doctor to give him attention that he needed.

Senator CHURCH. Was the problem the fact that the doctor was reluctant to take a Medicaid patient, is that the problem?

Mr. REYES. Doctors do not accept Medicaid. They will not take patients that are on Medicaid.

Senator CHURCH. Then that was the problem, the doctor just did not want to take the Medicaid patient?

Mr. REYES. Yes, and Mr. Trevino does not qualify for Medicare, because I believe there is a waiting time.

Senator CHURCH. We have changed the law to extend the Medicare to those disabled under Social Security, as well as those on retirement, to 65 or over.

People who are totally disabled will soon be able to qualify, but there is a waiting period.

Mr. REYES. There is a waiting period, and it is a very long period, and when you go to the doctor, and you tell him that you have a problem, that I want you to wait for 1 or 2 years before I can pay your bill, the doctor says, he kind of frowns.

If I was a physician, I would probably do the same thing. I talked to Mr. Oriol, and he thought it was important enough to be brought to your attention.

24-MONTH DISABILITY PERIOD FOR MEDICARE

Senator CHURCH. Well, I am glad you did bring it to my attention, and I would like to ask the staff of the committee to take this general problem up with the State administrators of the Medicaid program.

All that I can say is that under the present law, a person must be totally disabled for 24 consecutive months before he becomes eligible for Medicare.

Mr. REYES. This is one of the things that I have questioned about Medicare. It is a good program, but there are a lot of holes in it. It needs to be corrected.

Senator CHURCH. You have to be totally disabled for 24 months before you become eligible, that is a long time to wait. I am glad to have this pointed out. Maybe there is something we can do.

[Applause.]

Now, is there anything that members of the panel would like to bring up that you have not already testified to before we go onto the next panel?

Yes, Mr. Long.

Mr. LONG. You said something about this Medicare for the disabled persons.

Senator CHURCH. Yes.

Mr. LONG. That we still have to wait 24 months for that?

Senator CHURCH. Yes, under the present law. Actually, up until last year Medicare only extended to the retired people 65 years and older, so this change in the law was meant to bring into the program the disabled, but it was done with the provision of the 24-month waiting period, and obviously that can create serious hardships in many cases.

All right. Thank you very much, members of the panel, for your contribution this afternoon.

[Applause.]

I would like to call our next witness, Mrs. Alice Moore of Pocatello. She is the daughter of Mrs. Blenda Jenkins, and I might say for those of you who may not have read in the newspaper that Mrs. Jenkins was declared dead, and waited a long time before the computer could be convinced that she was not dead after all.

She was declared dead by the computer, and we would like to get a little better idea of some of these computer problems that occur in Social Security.

[Applause.]

Mrs. Jenkins, we are happy to see you alive.

Mrs. JENKINS. Thank you.

Senator CHURCH. And also to greet your daughter, Mrs. Moore. Could you just proceed in any way you would like?

STATEMENT OF ALICE MOORE, POCATELLO, IDAHO, AND BLEND JENKINS, BASALT, IDAHO

Mrs. MOORE. I was going to start like you started. You already told everybody why we are here, and this was how I was going to start, and so I feel I did want to add that I feel like this check was reinstated, namely through the efforts of your office, and also the news media, and I do not think this is really the proper way to go about getting a check reinstated. I think maybe I could question my mother rather informally, and maybe get a better idea as to what happened.

Senator CHURCH. I think it would be helpful if we could have some of the particulars of what your experience was like.

Mrs. MOORE. When did you first realize there was a problem, can you tell us?

Mrs. JENKINS. When I did not get my February check. I had only received one check, and then I thought, well, it will be along, they will send one, or they will notify me why not, and when we did not hear anything, I called the office, and they said your check has been, there has been a mistake, but it will be along in about 2 weeks, and it still did not come.

March came and it did not come, so I called them, and they said yes, they are up there today trying to straighten it out and find out why.

Alice called them, and they said to take your mother to the Social Security office, and don't you leave there without a supplementary check.

We went up there, and they said "it had just been a mix-up, and our computers are out," and they said come back after a while.

We went back, the girl said, well, she said there will be a check in about 2 weeks.

That was in February, in March, so we went back in a day or two, and come to find out, they declared me dead, they said the computer had marked me dead, which was not very nice.

Mrs. MOORE. How did you personally feel about this when they told you this?

Mrs. JENKINS. I felt terrible.

Senator CHURCH. You were kind of in a position of Tom Sawyer, who said, "The reports of my death have been greatly exaggerated."

COMPUTER ERRORS SHOULD BE CHALLENGED

Mrs. JENKINS. I feel like anybody can call into a Social Security office and say somebody is dead, they do not have to verify it, but it should be verified before it was ever sent through the computer. I do not think they should do that.

Senator CHURCH. Do you know in your case how this report came about, did somebody make such a report to the Social Security office?

Mrs. MOORE. This is something they have never told us. They have never accepted any blame except it was the computer's error. This is whose error that it was.

Senator CHURCH. You cannot fire a computer.

Mrs. JENKINS. That is right.

Mrs. MOORE. Anyway, this sort of thing went on until May 1.

Mrs. JENKINS. I got a check on April 18, and then I got two over-payments which I had to turn back, and that in itself is quite confusing. I think there should be a better way of handling something like this.

Senator CHURCH. I do, too. I will agree with you on that.

Mrs. MOORE. I know there are people on Social Security, and they do not have much of an income, and they are alone, what if that would happen to them?

Mrs. JENKINS. Well, I live in a small community, and everybody is willing to help me. If you run out of coal, they help you. The coal

yard will send you coal, and you pay it when you get your money, the light company will carry you, but if that happened in a big city, what will the person do?

Senator CHURCH. You are lucky that you have neighbors who will take care of you.

Mrs. JENKINS. You bet. I do not know what would have happened. I simply do not know, that is why I think something should be done to see that this does not happen to anybody else.

Mrs. MOORE. I have to take a little bit of offense, that I get the attitude that this is one in a million, that this error is just very rare, but it is not very rare.

It is more frequent than people believe. A computer error was made on my brother's check. He waited from November until about March 20, because the computer had made an error on his check.

I also know of a case in Idaho Falls. Miss Owens, she is receiving her check now, but the same thing happened to her, the spelling of the name is wrong, the address is wrong, and right now she is cashing the check where the people know her, but the day might come where somebody might ask for her identification, and I cannot even see after they have gone through all of this, how they can have this many errors on the lady's check, and on her grant right now, so I think that a form should be made available, at least should be publicly displayed in every Social Security office on how to get an emergency check when there is an error that ties up your grant.

EMERGENCY PAYMENT SYSTEM NEEDED

Senator CHURCH. It seems to me what is needed is that when errors occur, and are known to be errors, and they are deep down in the mechanism of the computer system, there ought to be a way, as you suggest, to take care of that on an emergency basis, until the corrections can be worked through the system. People who are on limited Social Security income, frequently cannot wait 2 or 3 or 4 months to have the problem worked out, and there ought to be a way to detour around the computers if there are mistakes that have to be worked out on the system.

Mrs. JENKINS. That is the way I feel about it. [Applause.]

Senator CHURCH. The other thing that I would mention is in line with what you have said, this is not such a rare case, we have lots of these problems.

We do not always have a problem with a person being declared dead, but we have other problems, mistakes are made, an entitlement is established, and then the person will wait months for the first check.

It seems to me that delays are too long although I recognize that the Social Security offices have been heavily burdened with extra duties.

Mrs. MOORE. This is true, and I think before you even talk about adding more programs under the Social Security programs, as they stand right now, that there is going to have to be something seriously done about the present situation.

Another thing I think should be seriously looked into, I have a friend that lives on a very limited income, and she had to call to

Pocatello, and she has had some problems with her Social Security, and she is really confused, and she had to place a long distance call.

She has not been able to even get her information at that time, which means that the Social Security office had to call her back.

Why can't these people that live in these outlying districts have a toll-free number like the Internal Revenue Service does, so that they can call toll-free.

This is not right to have to place two or three calls long distance, long distance calls to people who are just barely living on their income right now.

Senator CHURCH. That is a good suggestion. If IRS does it, perhaps Social Security can do it too.

Mrs. MOORE. I think so. You pay this money in assuming you are going to be taken care of, and you are not going to have any problems, and these people live month to month on this.

I do not think there should be these delays. I think it is morally wrong when there are delays that hold somebody's income up 3 or 4 months.

Senator CHURCH. I certainly agree with you, and I think you have made a good suggestion on the toll-free line. I would like the staff to note that this is something we may pursue in the committee to see what we can do; meanwhile, we will continue to fight the battle with the computers.

COMPUTER CHANGES TAKE TIME

I would like to tell you ladies a story before you leave the witness stand. When this last adjustment in Social Security was before the Congress—the 11 percent adjustment—I was anxious that the whole 11 percent might be made at one time, rather than in two installments. We had been able in the past to make adjustments in Social Security with as little as 3 months notice to the Social Security Administration.

When we looked into it this time, we were told that the system had been completely computerized, and that it was the finest computer system in the world, and that it was all there in Baltimore, and I was invited to come over and see it. I said yes, I would like to see it when I get a chance, but first I would like to make this adjustment in Social Security, and I would like to get it made within a 3-month period, as we have been able to do in the past.

I was told, it was not possible now, because it takes 6 months to program the computers, so in the name of the best computer system in the world, we lose 3 months time, and I think these are things that people wonder about. I think your case will probably do more to correct these problems, and get quicker action from human beings, when human beings have problems, than anything else I know, and I think the publicity given, the fact you brought to us, and the fact we were able to help, I think, will help a lot of people.

Mrs. MOORE. I think that is the only thing that will make it worthwhile as far as I am concerned.

Mrs. JENKINS. It will be worth it if I can do that.

Senator CHURCH. Your case will help a lot of people all over the country.

Thank you very much. [Applause.]

Our next two witnesses are Social Security directors here in Idaho, Guy Shambaugh of Boise, and John K. Carlton of Twin Falls. Gentlemen, I am happy to welcome you here this afternoon. I understand each of you have a prepared statement, and if you would like to proceed with them, fine.

STATEMENT OF GUY SHAMBAUGH,* DIRECTOR, SOCIAL SECURITY OFFICE, BOISE, IDAHO

Mr. SHAMBAUGH. Thank you, Senator Church, ladies and gentlemen. First, let me say I am very happy to have this opportunity to be here today, and I might start off by saying that the Social Security in Boise has been and continues to assist the general public in their efforts to claim any Social Security and/or Supplemental Security Income benefits they may be eligible for. Our office staff was kept fully occupied with only administering the title II Social Security benefits up through 1973.

A substantial workload was added in 1973, and continues with particularly large increases starting January 1974 as all Social Security Offices had the full responsibility of establishing entitlement to a Supplemental Security Income payment to the old age, blind, or totally disabled individuals with limited income.

We, in the Social Security Offices, are happy to be of service to these needy persons in our society. We find it a most challenging experience to help establish their eligibility. We do get some feeling of frustration in our jobs as we find ourselves with too little time to do as thorough interview as is really necessary to fully explain the benefits of the program and achieve full understanding on the part of the applicants for benefits.

TIME INVOLVED IN PREPARING CLAIM

Our experience to date shows a need of approximately 30 minutes on the average to an applicant for Supplemental Security Income benefits. If a person files for disability benefits it requires on an average 45 minutes. After the applications are completed and the individual has left the office there is considerable time involved in preparing the claim for SSI payment in the areas of verifying the resources alleged, reaching a decision and in putting information into the records system of SSA centrally and in program centers so that payment can be made or notice of nonentitlement is sent the applicant.

The increased workload in the Social Security Office is not only in the lengthy interviews necessary but in the increased numbers of individuals making inquiry which in many cases after lengthy discussions are resolved as ineligible without a formal application.

In this connection, the area of Idaho served by our Boise office had during the January-March quarter of 1973, 1,344 claims of all kinds and 2,922 nonclaims or post entitlement receipts while in the same

*See additional statement, appendix 1, item 1, p. 523.

January–March quarter 1974, 1,534 claims and 4,925 nonclaims or post-entitlement actions.

Senator CHURCH. What do you mean by nonclaim or post-entitlement receipts?

Mr. SHAMBAUGH. These would be inquiries of various kinds asking about the program and informally discussing the program, that is, does the person possibly qualify for some type of benefit.

Senator CHURCH. I see.

Mr. SHAMBAUGH. With all of the increased workloads I have discussed above, I need to point out that our office staff has increased only by two in regular employees over the last 1½ years. We now have 21 regular employees in Boise. The extra work is accomplished by use of overtime starting in January of this year. In most cases at least an hour each day and 4 to 8 hours on Saturday are worked by each employee.

This has been pretty much the pattern since the first of the year.

Now, if there are specific questions that we might try to respond to, I would certainly try to do that, Senator.

Senator CHURCH. Mr. Shambaugh, I would like to know how much of this extra work has been due to the establishment of the SSI program, that is to say, determining those that are eligible for the program, and getting started, since the program came into effect in January of this year. I suppose the additional work burden has largely been involved in getting that program underway.

Mr. SHAMBAUGH. Right. It has been mostly that. Actually the claims that we have had, when we talk about claims here, we have had a little, in fact, we have had a few less regular SSI claims in this period, so the increase in claims is strictly due to the SSI applications that have been taken.

Senator CHURCH. Is this a workload that will tend to diminish once the program is established and underway?

WORKLOAD WILL NOT DIMINISH

Mr. SHAMBAUGH. I do not see it will really be diminishing very much, because there are certain aspects of the program that have not been affecting the workload, such as the recommendation area which has to be done in the district office on SSI, which normally went to another agency, and also the area of redeterminations that have to be done at least once a year on people who are on the rolls on SSI. That type of interview, from our experience, shows that these really amount to the same amount of time at least as an initial application, so that we have a substantial workload that we have not even been faced with, which will take up any slack that we might phase out a little later.

Senator CHURCH. What you are telling me then is that we will have to have additional personnel in Social Security if we are going to handle this workload efficiently?

Mr. SHAMBAUGH. This seems to be very obvious to us out in the field.

Senator CHURCH. How many people, since January, are now getting SSI checks—those that have made application—and then had

their applications processed; how many are you actually paying? It is May, the program has been in effect since January. How many supplemental checks are you paying out now through the Boise office?

Mr. SHAMBAUGH. Well, I think we have a figure that would represent the payments made on SSI for the month of March, which would include the cases that were converted from the State rolls. This would be the total, and the figures we have, that would supply for March, shows that Idaho has 6,195 recipients of SSI.

Senator CHURCH. How many of those 6,000 plus recipients were transferred over from old age assistance?

Mr. SHAMBAUGH. The big part of them. I think actually we have added, I am not giving you an exact figure, but I think we have added about 500 that are strictly new additions, since January, but this does not account for all that have been taken, because there are a number of claims pending in the system some place.

They have left our office or other offices, and are pending. There is a substantial backlog in the Baltimore record center and in our payment centers.

Senator CHURCH. Tell me, suppose somebody comes into the Boise office, who is eligible, makes a formal application for Supplemental Security Income payments, is found to be eligible; how long does that person have to wait before he or she receives the first supplemental check on the average?

Mr. SHAMBAUGH. This would be a nondisability, because disability is substantially longer.

Senator CHURCH. This is a nondisability case. I am speaking of a person eligible for SSI supplemental payments, and who makes formal application, eligibility is determined by your office; how long does that person have to wait before he receives the first check?

SSI WAITING PERIOD OF 30 DAYS

Mr. SHAMBAUGH. In theory, it was supposed to be a maximum of 8 to 10 days. It has not happened that way. They have rapidly built up a backlog. I think we are finding it does take 30 days for them to get the check. Certainly, it would be true if they filed in the middle or latter part of the month.

Senator CHURCH. But the waiting period is not exceeding 30 days on the average?

Mr. SHAMBAUGH. Well, I do not think so. Our experience seems to show that is true, but if some little technicality gets involved, it can be longer.

We have a number that are longer, and this would account for the need for emergency payments, which are made. There is a procedure to provide emergency payments to those in dire straits under certain situations, and which we can do on the spot, if it was a true emergency.

Senator CHURCH. These emergency situations do not have to go through Baltimore.

Mr. SHAMBAUGH. If it is a case of eligibility, and there is dire need, we have emergency funds in our office, which we can counter-

sign, so where this allegation is made, we do take steps to provide those.

Part of the problem comes in on others though where they have been set up for payments, and the checks do not come on time, and they have an emergency, then we still have the additional procedure, called one-time only payment, which has been provided for. The U.S. Treasury will not reissue a check in an emergency where there is a check issued, until they can account for a first check. We do have one-time only payments, which are used to bring people up to date when they are in dire straits.

Whether that adequately responds to your question or not, Senator, I do not know.

Senator CHURCH. It has helped.

Mr. Carlton, you have a statement you would like to read at this time?

STATEMENT OF JOHN K. CARLTON, DIRECTOR, SOCIAL SECURITY OFFICE, TWIN FALLS, IDAHO

Mr. CARLTON. Yes. Thank you, Senator.

The purpose of these hearings, as I understand it, is to examine the future of Social Security. Before determining the future it would appear appropriate to look briefly at the past and at the present.

The original Social Security Act, passed by Congress in 1935, contained certain basic principles which have been continually adhered to. These principles, in my opinion, must not be compromised. In essence, the Social Security program provides cash benefits designed to partially replace the income lost when a worker retires, becomes disabled, or dies. The program is work related, does not contain a means test, is contributory and compulsory, and the rights are clearly defined in the law.

Beginning in 1975 the monthly amounts payable, the amount a recipient can earn without penalty, and the taxable wage base, are all tied directly to the cost of living determined by the consumer price index. Thus, the Social Security benefits, as well as the fiscal soundness of the trust funds, are inflation proof.

PRESENT PROGRAM IS FISCALLY SOUND

It is apparent that many needs of the aged are not being completely met at this time, but I do not feel that a major extension of the Social Security program is an appropriate way to meet these needs, particularly if such an extension involved the use of general fund revenues. The vested right of workers contributing to the Social Security trust funds must be maintained. The present program is fiscally sound and is accomplishing what it was intended to accomplish.

Let me present a few figures. Most people are not aware of the economic impact of Social Security payments. It is a fact that in most cities and towns of the United States the monthly Social Security checks mailed out constitute, by far, the largest single source of income available to the community.

As an immediate example, Social Security checks mailed each month to beneficiaries in the eight counties of Magic Valley, total \$2.5 million. When Medicare reimbursements and the new Supplemental Security Income checks are included, the total each month is over \$3 million.

In Twin Falls alone, Social Security payments total \$750,000 every month. When Medicare and Supplemental Security Income payments are included, \$1 million is released to citizens of Twin Falls every month of the year. The impact of this flow of money on the businesses of Twin Falls is obvious.

Of course, these figures, although impressive economically, do not solve the pressing problems of the aged. Although, as I have stated, I feel that Social Security itself is in good shape and fulfilling its purpose, I am not so sanguine concerning Medicare and the Supplemental Security Income program.

I feel that Medicare needs to be rather drastically overhauled. I have particular reference to the need for prescription drugs, hearing aids, eyeglasses, and dental work to be covered under Medicare. Long-term nursing care, both for institutionalized and for those in their own homes, needs to be greatly expanded. There are many approaches to the solution of these problems, including various national health insurance proposals, but I am confident that these suggested coverages could be included in the present Medicare system as it applies to the aged and disabled.

The newly instituted Supplemental Security Income program, which guarantees a minimum income level to the needy aged, blind, and disabled is, as you are aware, administered by the Social Security Administration. This program is financed by general revenues and, although administered by Social Security, is a completely separate program financially. This, I think, is as it should be. We in the Social Security Administration are proud that we were chosen to administer SSI, and we feel that it is working well.

SSI PROGRAM—A PROTOTYPE FOR FUTURE ACTIONS

We have had some problems with computer capability and lack of sufficient staff, but considering the magnitude of taking over a program formally handled by some 1,150 State and local agencies, I think we have been successful.

The SSI program could well be a prototype for future actions of a similar nature. If the future of Social Security includes the administration of other programs aimed at solving the problems of the needy, I have two requests. Give us sufficient staff to handle the work and keep the programs fiscally separate from the present Social Security system.

I will close by saying that regardless of what changes may occur in the future, the fundamental objective of the Social Security Administration will continue to be one of maintaining the highest possible standards of service to the public.

Thank you for the opportunity of presenting this testimony.

[Applause.]

SENATOR CHURCH. Mr. Carlton, I think your two requests are very reasonable. You have assumed some extra burdens with the SSI

program. I think that, generally, across the country, Social Security has been administered quite well. It was attributed to the record that has been made by Social Security. I do believe with respect to your suggestions for Medicare, improving the Medicare program, I think the gaps you mentioned are the very ones that need to be closed, and one thing that I worry about is that if we go to a national health insurance program of some kind for protection against medical disasters, we must not do this at the expense of Medicare.

I am afraid that there will be some people who will say let us have a national program, and in order to get it, they will want to dilute what Medicare now covers, and I think that would be a grave mistake.

If we go to the medical insurance program nationwide, we must see to it that it does not dilute the medical care program. I, personally, would prefer to see an adequate medical care program for the aged who have the greatest need medically before we start on our nationwide medical insurance program.

Mr. CARLTON. Senator, may I make a couple of comments?

I would like to make one comment to the lady declared dead by the computer. Regardless of what somebody in the Social Security office told her, computers do not make errors, and if she was declared dead by a computer, then somebody pushed the wrong button, and in response to your comment, since the beginning of this year, and our problems with the SSI program, we do have means available in every Social Security office at the present time, of bypassing the computer when it gets plugged up.

Senator CHURCH. That is good to know. I am sure that is necessary.

Mr. CARLTON. Yes, it is, and experiences such as that fine lady's have caused us to develop these programs.

Senator CHURCH. One other point I am glad you made, is that Social Security is fiscally sound. Some of you folks may hear it said from time to time that Social Security is in terrible trouble, that in the next 20 or 30 years the system is going to collapse, that the people who are paying into it have no assurance that they are going to get their benefits when their time comes. If you hear that, do not let it concern you, because the Congress requires a regular audit of Social Security. That is made by outside auditors, competent actuarial experts from private insurance companies. This report is regularly presented to the Congress, and the system is sound, it has always been sound, and we have it certified to us on a regular basis. We are going to keep it sound, so there should never be any worry that when you are old enough to come into your entitlement, that the money will not be there. It will be there.

SOCIAL SECURITY IN NO DANGER OF COLLAPSE

I just wanted to say that, because there are alarmists all the time spreading the word that Social Security is about to collapse in this country, and that is not so.

Mr. Carlton, I have one question for you. As you know, there are final plans underway now to permit the direct deposit of Social

Security benefits in the bank designated by the Social Security beneficiary. This is an optional arrangement.

Do you see any possible problems in this, or do you think that banks might make service charges, anything on the horizon here that we should know about?

Mr. CARLTON. Yes, there are problems with that procedure. The primary problem we find is there are certain reports required of Social Security beneficiaries, having to do with earnings under the retirement test, having to do with their changes of address, especially if they leave the country, having to do with all sorts of things, marriages, divorces, deaths, when the checks are going to a bank, that is the only address we have, and we are unable to get the reports that we find necessary, because the banks obviously do not tell us.

A good example of that, if something goes wrong, and I hate to keep bringing this up with a computer, if for some reason the check is not mailed, the individual does not know this until they get the bank statement the following month, and if we could be informed of the fact immediately, as we would be if the checks were going directly to them, we could do something about it immediately.

Senator CHURCH. I can see where you might have a 30-day delay before you ever get the news of it from the beneficiary.

Mr. CARLTON. Aside from that, certainly we have no objections to direct deposits in a bank.

Mr. SHAMBAUGH. It would seem to solve some problems, and really create a few more, but it would be very helpful in some areas.

Senator CHURCH. Anything else any of you would like to add?

MEDICARE ALLOWABLE CHARGES AND DOCTORS FEES

Mr. SHAMBAUGH. Maybe I should add a comment I get from my staff here in terms of Medicare, and discussing Medicare claims, one of the concerns that a lot of people are expressing is the difference between the allowable charges, and what the doctor charges are.

This seems to be a rather common complaint that is getting a pretty big margin in a number of cases between what is allowable, and what the doctor feels has to be his charge.

Senator CHURCH. I know there is great confusion about this, because as I go to the courthouses and meet with people who have problems, very often this will come up.

Is there a better way that it could be explained, or do you think that we ought to change the program to eliminate this confusion?

Mr. SHAMBAUGH. Well, I wish there were a better way to get better understanding of it.

If you took off your controls, I am sure there would be some real problems created, because as it is now, it is based on the average for the community, for say a year prior, so it does create some problems currently, in trying to adjust to the cost of living.

Senator CHURCH. What percentage of the doctors in Idaho now are taking Medicare on an assignment basis?

Mr. SHAMBAUGH. I believe the last figure I saw would be about 35 percent, I believe, that is about the figure.

Mr. CARLTON. You are a month behind. It is 33 percent.

Senator CHURCH. Is it falling off?

Mr. SHAMBAUGH. Yes, it is.

Senator CHURCH. Just a word of explanation, those doctors that take Medicare patients on an assignment basis agree to accept the fee that Medicare pays for the service, and not to charge the patient anything additional. Only about a third of the doctors in Idaho take Medicare on that basis anymore. The others reserve the right to charge something over what Medicare may determine to be a reasonable figure, and as the gentleman has suggested, that reasonable fee is based on the average fee charged in the community for that particular service. Doctors more and more are reserving the right to establish their own fee, and the patient has to pay anything over what Medicare regards as a reasonable fee for the particular service received.

This causes a lot of confusion. One person who goes to a doctor who take an assignment, and have nothing else extra to pay.

The next person may have a few dollars to pay. The next person receiving the same service may have \$30 or \$40 or \$50 more to pay, depending on the fees doctors charge in each particular case.

I do not know whether I have explained it clearly.

I think every effort should be made to explain that to people, because it continues to cause a great deal of confusion.

Mr. CARLTON. Senator, I would like to make one final comment. I would like to give my personal thanks to those citizens of Magic Valley who responded to our recent call for volunteer workers until what we chose to call Project ALERT, an attempt to find people eligible for the Supplemental Security Income program.

We did have a lot of volunteers, and they did a good job. This project will continue, and I would like to also give thanks to the State Office on Aging, which is helping with the continuation of this project.

Senator CHURCH. Very good.

Thank you very much, gentlemen. [Applause.]

Now, folks, we are going to take a break, and we will be right back. [Whereupon, a short recess was taken.]

AFTER RECESS

Senator CHURCH. The committee will be in order.

Our next witness panel is the National Retired Teachers Association/American Association of Retired Persons, comprised of Kenneth Hill, chairman of the joint State legislative committee, National Retired Teachers Association, Boise, and he is accompanied by Mrs. Faye Rebenstorf, a member of the joint State legislative committee, Coeur d'Alene.

STATEMENT OF KENNETH HILL, CHAIRMAN, JOINT STATE LEGISLATIVE COMMITTEE, NATIONAL RETIRED TEACHERS ASSOCIATION/AMERICAN ASSOCIATION OF RETIRED PERSONS, BOISE, IDAHO

Mr. HILL. Thank you, Senator Church, distinguished members of the committee. I am Kenneth L. Hill, chairman of the Idaho joint

State legislative committee of the National Retired Teachers Association/American Association of Retired Persons.

With me today is Mrs. Faye Rebenstorf, who is also a member of the committee.

On behalf of the 26,350 members of the associations in this State, we wish to address ourselves to three legislative issues of importance to the aged: The Social Security retirement test, the treatment of working wives under Social Security, and the retirement income credit of Internal Revenue Code, section 37. We thank the Special Committee on Aging for affording us an opportunity to comment on these matters.

At the present time, the Social Security cash benefit programs are designed to provide protection against the loss of earnings due to retirement, death, or disability. The primary mechanism used to determine whether the necessary loss of earnings has occurred is, of course, the retirement test.

Perhaps no feature of the Social Security system is more controversial. Our organizations recognize that the abolishment of the retirement test would change fundamentally the nature of the cash benefit programs from that of insurance against the loss of earnings to that of an annuity payable at a certain age.

The trouble with this situation is that if we were to undertake this change, it would immediately increase the responsibility of the Federal Government to a considerable amount. If we were to do that, it would make it necessary to call upon the general revenues of the Federal Government in order to carry the program on.

"PENALTIES" FOR WORKING

The general revenue sources are presumed to be equitable to everyone concerned, and we feel the existing program works a hardship on the individuals who have arrived at the magic age of 65, that he is immediately penalized from any opportunity to pursue gainful employment thereafter. There are real penalties.

First of all, you go on paying the Social Security tax. Second, if you earned more than \$2,400, you are immediately losing \$1 for each that you earned, and so you have a 50 percent tax applicable to your lot at that point.

The substance of this restriction causes the man to wonder whether or not it is worthwhile to pursue, and my personal experience has been that those of us who arrive at the magic age of 65, the greatest problem we have is worthwhile employment, worthwhile activity, and all at once there are those who would like to supplement their income, so many obstacles are put in their way, that they finally sit down and die.

When older people sit down, they die.

You have got to stay alive, and this is a direct opposition to the very thing we are trying to do in various programs that are offered to keep the older people busy and occupied. It is a wrong treatment of a situation entirely.

Now, I know full well that if we carry on this program, and extend this other privilege to where it will make the cost prohibitive,

as far as getting it away from the employer and the present worker, so I think there is great doubts as to whether or not we ought to increase the taxes for further expansion of Social Security out of the employer or the employee, and if it is to happen, it will have to come out of general revenue.

I know that we are all a little ill about all of the taxes, but surely that is the more equitable way to raise the money to do this, than it is to put back on the worker.

We object seriously to the fact that this applies only to those who earn wages. If you have a bundle of bonds that high, and you get a great deal of dividends each year, this does not affect your earnings, it is only if you go out and work with your hands.

This is wrong. It should not be that way.

Now, we would like to have something done about that. In one of our meetings the other day, we had a frank discussion of a problem that we would like to call to the attention of the Senator and his people, and I would like to just read this for you, and this is not directed at Social Security as such.

Senator, this thing I am about to read to you does not refer particularly to Social Security, but rather to generally people in the retirement age.

We are pleased to have this opportunity to express our thoughts regarding future direction of Social Security program. We sincerely believe only by viewing social programing for senior citizens in its entirety, can positive recommendations be made.

Over the years, and particularly during the last few years, we have viewed with alarm development of social service delivery systems that makes it extremely difficult for older citizens to determine who are entitled to services, and who are the service providers.

We wonder, is it the purpose of the delivery system to simply conduct surveys, and studies to be filed in various departments of the system.

Our Nation, State, and communities have been surveyed and studied and resurveyed and restudied by Federal agencies, State agencies, nonprofit organizations of every type.

Each agency claims they are authorized and have a specific duty to determine and respond to the needs of the elderly.

Each office is given the opporutnity of coordinating their efforts with other agencies, however, we see little evidence of sincere co-operation to that end.

We recognize and appreciate the efforts of the Congress in Washington to provide solutions to the problems of senior citizens. Unfortunately, many of the departments of Government recognizing the social political appeal of helping to assist the elderly with their problems, have sought authority to share in the general effort.

It is our understanding when legislation is passed affecting senior citizens, each department that can associate itself with the provider, with the provisions of the law, undertakes its own interpretation of the manner in which the department or agency will respond. and then these guidelines were passed on to the related State agencies. that in turn decides how a State agency will plan to carry out the new law, and hence to the local level for ultimate implementation.

A "LABYRINTH" OF AGENCIES

The result has been a labyrinth of interrelated, uncoordinated agencies that have been created, each striving to expand itself.

The intent of Congress is lost in the process. The funds provided for services to people is consumed at agency payrolls, and dissipated in the maze of duplicated service delivery systems.

As citizens, we do not know how this can be solved, but we want respectfully to encourage you and your associates to try some solution.

Now, this is an aside.

Now, I will turn the microphone over to Mrs. Faye Rebenstorf, and she will discuss the third phase of our subject.

STATEMENT OF FAYE REBENSTORF, MEMBER, JOINT STATE LEGISLATIVE COMMITTEE, NATIONAL RETIRED TEACHERS ASSOCIATION/AMERICAN ASSOCIATION OF RETIRED PERSONS, COEUR d'ALENE, IDAHO

Mrs. REBENSTORF. Thank you, Mr. Hill.

Senator Church, we are glad to be here today. I will try to keep within the time limit.

The next item which we wish to address ourselves today, Mr. Chairman, is retirement income credit of the Internal Revenue Code, section 37. It is an unfortunate attempt by the Congress to provide fairer tax treatment of different groups of taxpayers which often results in calculations of such complexities that the group for whom the fairer treatment is intended is, to some extent, effectively deprived thereof.

The retirement income credit which was designed to relieve part of the tax burden of aged retired persons living on taxable retirement income, and to help to equalize their tax treatment with that of persons receiving tax-exempt Social Security or railroad retirement benefits is a good example of this.

Notwithstanding the good intentions of the Congress in enacting credit as part of the Internal Revenue Code of 1954, any benefits from it is conditioned upon the aged taxpayer's confronting and successfully completing an intricate series of calculations which are purely mechanical, because he lacks any knowledge of the reasons for them.

If he is at all successful in determining a credit amount, the probabilities are that he will be uncertain as to its correctness.

A description of the steps of the calculation to which the aged taxpayer must proceed, provides ample basis for uncertainty.

Senator Church. Do you know the first time I tried to compute this credit, I was doing it for my mother-in-law, and I said to her, "It is much too complicated for you to work out. I will work it out for you."

I worked out the income tax, and then the credit, and I miscalculated it, about 2 months later we learned from the Internal Revenue Service, she had to pay an extra \$24, I think, on her tax, because I was overly generous in my computation, but it is very confusing, and it is easy to miscalculate.

Mrs. REBENSTORF. I have been a tax practitioner, and sometimes it was even difficult for me, so I can understand why people who try to make out their tax returns, and try to figure out this retirement credit, it is so difficult.

Once having determined the total amount of the "retirement income," the aged taxpayer must then proceed to a maximum amount of retirement income which he may take into account for purposes of computing the credit.

PITFALLS OF SCHEDULE "R"

Now, I could go into all of the facts of computation of retirement for credit, but if I did, everyone here would be as confused as the taxpayers, but I will continue on, and say that there can be little doubt that in the case of an aged taxpayer who does benefit from the retirement income credit, a sense of accomplishment tends to come about when one successfully completes the Schedule R.

For some time now, our organizations have felt that the credit is far too complicated. The taxpayer must fill out Schedule R on a separate page of another 19 possible calculations, in addition to his regular tax schedule.

We estimate that as many as 40 percent of all those eligible either fail to claim it, or else make errors in the computing of it.

Since so many of those that should be benefiting from the credit are not being helped, the need for revision and simplification is obvious. Those living near Internal Revenue Service offices can get some help, but so many of our taxpayers do not live close to those offices, and if you try to get through on a telephone line to the toll-free calling number in Boise, especially during tax time, you know how difficult that can be, so the result of it is they either give up, and thus deny themselves a credit they should be having, or else try and make out their retirement income tax for themselves, and most of the time, as Senator Church says, they will make errors in doing so. They can be very much more simplified than they are now.

Now, expanding further, this probably will be overlapping some of the things that have been already brought out, but I think sometimes overlapping can be beneficial.

It can doubly emphasize important parts of our topics here today, so excuse me if they do seem to be overlapping.

Regarding Social Security and Medicare benefits, of course, our association supports Senator Ribicoff's Senate bill, S. 3154, which offers a comprehensive approach in completing the critical and special health care needs of older and disabled citizens, that is not included in any of the other major health care proposals now before Congress. The measure provides for catastrophic health protection with the least out-of-pocket costs of any known bill, not to exceed \$750 annually, and offers a broader benefit package including urgently needed coverage of unlimited medical expenses, prescription drugs, eyeglasses, hearing aids, dental care, and so forth.

This is only a short summary of Senator Ribicoff's bill.

Congress, I feel, is as far behind on Medicare coverage as they are on retirement income credit.

The Medicare benefits are based on 1970 doctor and hospital bills. We know how those have risen since 1970.

As an example, a personal example, I will cite my own case of last year, my annual physical checkup came to just a little bit over \$100.

The allowable part of that \$100 came to only \$58, \$2 short of the \$60 deductible, which is not equitable at all.

Also, we hope that these and other added benefits in the Social Security program, which would include removal of earnings limitations, 100 percent widows benefits at age 62 instead of age 65.

When the bill was first introduced, the news media made a big splash, news headlines, "Widows to get 100 percent of husband's Social Security."

WIDOWS STILL AT DISADVANTAGE

And then when the bill was finally passed, it went into the final stages, there were a few changes here and there, which included a graduating scale of widows' benefits, if they were not 65 at the time of the death of the husband, they did not get the full amount, just a graduating scale.

A woman cannot help when her husband passes away. Very often her need for Social Security is very urgent, and whether she is 65 or not. I would like to see this amended to drop the age to 62, and made retroactive, to the time the bill became effective.

If it were not made retroactive, it would be too discriminatory.

I am not in favor of adding to payroll taxes, which would place an even greater burden on our children and grandchildren to accomplish these things, but I am in favor of the benefits to come from the general fund, if it cannot come from the Social Security fund, and this can be done by eliminating unnecessary Government spending, such as too much foreign aid—we have been doing this for 30 years now—by closing income tax loopholes of the wealthy class, cutting Government redtape, and eliminating many unnecessary Federal employees at the higher and lower levels of our Government.

This concludes our formal remarks, Mr. Chairman. We appreciate having had the opportunity to present our views. [Applause.]

Senator CHURCH. Thank you. I just want to say two things. Kenneth Hill stressed the inequities of the retirement test, and he makes a perfectly valid case. I think the fact that people who have income from rental property, or dividends from stock, or interest payments coming in, can collect all of their Social Security entitlement, regardless of how large their outside income may be. But, a person who does not have that advantage, and has to work to supplement his retirement income, finds that he is penalized once he earns more than \$2,400 a year. It is discriminatory, and it is discriminatory against the people who need it the most, it often happens that way somehow.

When I first went to the Senate, the retirement income was \$1,200, and we have worked it out to \$2,400, and I have a bill now pending in the Senate that would increase that to \$3,000, which will help.

I would like to see it eliminated entirely, but the cost of eliminating it right now would be too great, and I do not think we have the votes

in the Congress to accomplish the total elimination. If we can increase it to \$3,000, that would be some help to people who do need to supplement their income and are willing to work part time to do it.

Faye, you mentioned the other aspect of this, which is the credit for retirement income on income taxes, and you are quite right, it is much too complicated. I hope we can simplify it, but it is also out of date. It is way out of date.

Mrs. REBENSTORF. Yes, it is.

Senator CHURCH. When it was first put into law in 1954, the idea was that people who are getting Government civil service retirement, or some other retirement other than Social Security, ought to have at least the same tax break that people getting Social Security had. Social Security benefits quite properly are not taxed, but civil service retirement benefits are taxed, and so the idea was to give people an equal break, and give them a certain amount of credit on their retirement income; that we give them comparable tax breaks as those on Social Security.

The trouble is in 1954, \$1,424 computation coming to about \$124 credit, a maximum of \$229, is way out of date. I have a bill in the Senate that will bring this up to date so that the maximum credit would come to \$343 for an individual and more for couples, and this has been adopted in the Senate Finance Committee. I am confident it will be enacted into law.

Mrs. REBENSTORF. I am happy to hear that.

Mr. HILL. One of the things you must experience some today, but some day you must get your bill from your doctor, and try to get it processed through Medicare, and then get it over to your insurance company that underwrites the rest of it, and keep it straight, and then you will be entitled to be President. [Applause.]

I know personally, on behalf of the organizations I represent. I want to thank the good Senator for being here, and he is on our team in Washington, and we have a real supporter in our Senator.

Thank you.

Senator CHURCH. Thank you, Mr. Hill. [Applause.]

The prepared statement of Kenneth L. Hill and Mrs. Faye Rebenstorf of the Idaho joint State legislative committee of the National Retired Teachers Association/American Association of Retired Persons will be inserted in the record at this time.

[The statement referred to follows:]

PREPARED STATEMENT OF KENNETH L. HILL AND MRS. FAYE REBENSTORF OF THE
IDAHO JOINT STATE LEGISLATIVE COMMITTEE OF THE NATIONAL RETIRED
TEACHERS ASSOCIATION/AMERICAN ASSOCIATION OF RETIRED PERSONS

Mr. Chairman, I am Kenneth L. Hill, chairman of the Idaho joint State legislative committee of the National Retired Teachers Association and the American Association of Retired Persons. With me today is Mrs. Faye Rebenstorf, who is also a member of the committee.

On behalf of the 26,350 members of the associations in this State, we wish to address ourselves to three legislative issues of importance to the aged: The Social Security retirement test, the treatment of working wives under Social Security, and the retirement income credit of Internal Revenue Code, section 37. We thank the Special Committee on Aging for affording us an opportunity to comment on these matters.

I. THE SOCIAL SECURITY RETIREMENT TEST

At the present time, the Social Security cash benefit programs are designed to provide protection against the loss of earnings due to retirement, death, or disability. The primary mechanism used to determine whether the necessary loss of earnings has occurred is, of course, the retirement test.

Perhaps no feature of the Social Security system is more controversial. Our organizations recognize that the abolishment of the retirement test would change fundamentally the nature of the cash benefit programs from that of insurance against the loss of earnings to that of an annuity payable at a certain age.

We recognize that the elimination of the test would entail substantial tax cost consequences for active employees, if the existing mechanisms available for financing the cash benefit programs remain unchanged.

We are aware that the Social Security recipients who are unable or choose not to work, cannot obtain employment or are age 72 and over would not benefit from elimination of the test and indeed may suffer if the cost of the test's elimination reduces the potential revenue which would have otherwise been used for across-the-board benefit increases. Nevertheless, our organizations favor the complete abolishment.

Because we believe that the cash benefit programs must be changed to accommodate the social and economic needs of the people they serve, we cannot ignore their increasing dissatisfaction with the retirement test. That the older worker feels abused by the test is reflected daily in the correspondence received by our organizations. The older worker argues that he should not be deprived of his benefits because he engages in productive employment, particularly in the light of the fact that his nonworking neighbor, with substantial income from stocks and bonds, is receiving his full benefits. To the older worker this is discrimination in favor of the well-to-do and reward the idle living. Since the retirement test penalizes productive labor, the older worker considers it a violation of the work ethic and no amount of argument as to cost or benefit allocation is likely to dissipate this feeling.

Let it be understood that our concern is for fairness and equity. Our purpose is to stimulate an honest dialog about an evolving social institution that is serving this Nation well.

The inequity of the retirement test becomes clear only if one understands that the Social Security system is an intergenerational income transfer program operated through the taxing power of the Federal Government and that it deals only with one type of income—income from labor. This raises the question of fairness in the overall financing scheme. That the earnings test focuses its penalty peculiarly on wages of persons age 65 to 72 reveals what our organizations believe to be the "gross inequity" of the retirement test feature.

If an aged individual is fortunate enough to secure part-time employment, he will pay Social Security taxes of 5.85 percent on all his earnings up to \$13,200 and very likely, Federal income taxes as well. In addition, for every \$2 that he earns in excess of \$2,400, he will lose \$1 of Social Security benefits. This is a 50 percent tax on benefits. It should not be surprising to discover that this combination of taxes and penalties, which promises to leave the older worker with little net improvement in his income situation, is sufficient to discourage most older persons into retirement.

Our organizations object strongly to a retirement test penalty which applies only to workers in the 65 to 72 age category. If it is wrong, as some people argue for older workers both to earn income and to receive Social Security benefits, why does it suddenly become right when a person turns 72?

Those who would retain the retirement test argue that its elimination would be achieved at the expense of wage earners, who would have to pay increased Social Security taxes, and at the expense of the nonworking aged who would have to forego benefit increases they might otherwise receive.

Our organizations believe that the time is rapidly approaching when a wage-earner revolt will force Congress to appropriate general revenues to help finance the Social Security system as was contemplated by those who originally designed it. For many years now, the idea of a three-way sharing of the cost of OASDI seems to have disappeared from the minds of Congressmen and Senators. Perhaps it is time for this idea to reappear. With new sources of revenue to finance Social Security programs, the increased payroll tax and lost benefit arguments with respect to the elimination of the retirement test would lose whatever validity they may have.

II. TREATMENT OF MARRIED WOMEN UNDER SOCIAL SECURITY

Another area of increasing controversy is the treatment of working wives under Social Security. The 1939 Social Security amendments expanded the system to provide benefits for wives of insured workers so that the family unit would have protection related to the wages of the family earner. This dependent's benefit is payable only to a wife who is not entitled to a benefit based upon her own earnings record that is equal to or greater than the benefit to which she is entitled on the basis of her spouse's earnings record. Apparently, it was thought that if a woman could get a higher benefit based upon her own earnings then she could as a wife, she should not be presumed to be a dependent.

Today, many working wives feel that their Social Security contributions have been wasted in situations where they are entitled to receive benefits upon their spouses' earnings that are as high if not higher than those to which they are entitled on the basis of their own earnings. This criticism has become more pronounced in recent years as proportionately more women have been entering the labor force.

The dissatisfaction of working wives who, despite their Social Security contributions, receive no higher benefits than they would have received had they not worked in Social Security covered employment is the result of their non-acceptance of the rationale for paying the wife's benefit only to those who may be presumed to be dependent—that is, not paying those who have earnings records which defeat the presumption of dependency. This rejection of the "dependency" rationale is coupled with a lack of awareness of the advantages that working women have as a result of their eligibility for benefits based on their own earnings records. For example, married women who work usually have disability insurance protection, which is not available to nonworking wives. Should they retire at or after age 62, benefits will be payable to them on the basis of their own earnings records even though their husbands continue to work. Finally, in the event that they become disabled or die, monthly benefits on their earnings records are payable to their children.

Our organizations recognize, however, that neither the dependency rationale nor the expanded insurance protection available to working wives is likely to assuage the growing dissatisfaction with what they perceive to be inequitable treatment in terms Social Security benefit amounts. We believe that the Congress will find it necessary to acknowledge the reality of the working wife by modifying the Social Security system so as to eliminate, to the extent possible, those situations in which a working couple receives less in total old age insurance benefits than another couple with the same total earnings where only the husband worked.

Today, for example, where only the husband worked and had average yearly earnings of \$4,840, the benefits paid at age 65 would be \$3,135.50 to the husband ($\$261.30 \times 12$) and \$1,567.80 to the wife (50 percent of \$3,135.50) for a total of \$4,703.30. However, if the husband had had average yearly earnings of \$3,048 and the wife had had average yearly earnings of \$1,800 or combined earnings of \$4,840 the husband's benefit would have been \$2,353.20 per year ($\196.10×12) and the wife's would have been \$1,789.20 ($\149.10×12) for a total of \$4,142.40—nearly \$561 less in total benefits!

One might expect that, with a heavily weighted benefit formula, the combination of two benefits, each based on relatively lower earnings, would be at least as large as 150 percent of a benefit based on earnings records equivalent to the combination of the two relatively lower records. As a matter of fact, however, the weighting is not heavy enough to achieve this result.

Our organizations have been informed that for practical purposes it would not be possible to contrive a benefit formula that would preclude the possibility of situations where 150 percent of the benefit at one earnings level would always be less than 200 percent of the benefit at half that earnings level. Any formula which approached this objective would produce a relatively flat benefit system—one which either provided a relatively high minimum or one under which a benefit at the upper earnings level would not be high enough so as to represent a reasonable return for the contributions of higher paid workers.

While it may not be possible to achieve precise benefit equity with respect to everyone, our organizations recommend that the Congress consider seriously the proposal advanced by the 1971 Advisory Council on Social Security to reduce existing inequities with respect to working wives. That proposal would provide benefits for a married working couple equal to those provided now for a couple where only one spouse works and has all the earnings.

Under the council's proposal the earnings of a man and wife in each year would be combined and credited up to the maximum annual earnings creditable for the year. The benefits of the couple would be based on these earnings. In order to qualify for the combination, each would have to be fully insured, would have to be at least age 62, and would have to have applied for benefits. Both the husband and wife would be entitled to a benefit, before any reduction on account of early retirement, equal to 75 percent of the age 65 benefit based on the combined earnings. A widow would get a benefit based on the combined earnings of the couple. The earnings record would be separated on divorce, with each member of the couple receiving benefits as if the earnings records had never been combined.

Our organizations wish to stress that while we are not committed to any particular formula to compute benefits on the basis of combined earnings of a husband and wife, we do believe that in view of the increasing number of wives engaged in gainful employment, some modification should be made with respect to the Social Security system to accommodate more satisfactorily the reality of the working wife.

III. THE RETIREMENT INCOME CREDIT

The last item to which we wish to address ourselves today, Mr. Chairman, is the retirement income credit of Internal Revenue Code, section 37. It is unfortunate that an attempt by the Congress to provide more equitable tax treatment of different groups of taxpayers often results in calculations of such complexity that the group for whom the more equitable treatment is intended is, to some extent, effectively deprived thereof. The retirement income credit, which was designed to relieve part of the tax burden of aged retired persons living on taxable retirement income and to help to equalize their tax treatment with that of persons receiving tax-exempt Social Security or railroad retirement benefits is a good example of this.

Notwithstanding the good intentions of the Congress in enacting the credit as part of the Internal Revenue Code of 1954, any benefit from it is conditioned upon the aged taxpayer's confronting and successfully completing an intricate series of calculations which are purely mechanical because he lacks any knowledge of the reasons for them. If he is at all successful in determining a credit amount, the probabilities are that he will be uncertain as to its correctness.

A description of the steps of the calculation through which the aged taxpayer must proceed provides ample basis for uncertainty. In order to avail himself of the benefit of the retirement income credit, the aged taxpayer must first determine whether he has received earned income in excess of \$600 in each of any 10 calendar years prior to the taxable year in which the credit is being claimed. If eligible, the aged taxpayer must then proceed through a rather intricate set of calculations using supporting Schedule R and transferring the final amount of the credit to which he is entitled to Form 1040.

The amount of the credit may not exceed 15 percent of the amount of the eligible taxpayer "retirement income" up to a specified maximum. The definition of "retirement income" in the case of a person age 65 and older, includes interest, dividends, rents, pension and annuity income, and certain bonds—but only to the extent that such income is included in gross income in computing Federal income tax liability.¹ Since Social Security and railroad retirement benefits are not included in gross income, those benefits are not considered "retirement income" for purposes of the credit computation.

Once having determined the total amount of his "retirement income" the aged taxpayer must then proceed to a determination of the maximum amount of retirement income which he may take into account for purposes of computing the credit. In the case of a single individual, this maximum amount is equal to \$1,524 (\$2,286 for the case of aged married couple filing a joint return) minus the sum of (1) any amount received as a pension or annuity under title II of the Social Security Act or under the Railroad Retirement Acts of 1935 and 1937, (2) in the case of an individual who has not attained the age of 62 before the close of the taxable year but who is deemed to be "retired" and to

¹ Since the focus of the retirement income credit is not primarily age, but rather retirement status, use of the RIC is available to persons under age 65. However, in the case of such persons, "retirement income" consists only of income received as pensions and annuities from a public retirement system. See I.R.C. §37(c)(2).

have "retirement income," any amount of income in excess of \$900 and (3) in the case of an individual who has attained the age of 62, but has not attained the age of 72 before the close of the taxable year, the sum of one-half of the amount of earned income received by the individual in excess of \$1,200 but not in excess of \$1,700 plus the amount of earned income so received in excess of \$1,700. The amount of the aged taxpayer's retirement income credit will be equal to 15 percent of the maximum amount so determined or 15 percent of his actual amount of retirement income, whichever is lower.

From this description of the credit, Mr. Chairman, there can be little doubt that, in the case of an aged taxpayer who does benefit from the retirement income credit, a sense of accomplishment attends the successful completion of Schedule R.

As should be apparent, the computation of the credit is complicated by a number of factors. First, there are its attenuated analogies to Social Security old-age insurance, such as earned income requirement for eligibility purposes and the mechanical earned income test for the purpose of determining retirement status. Second, since the credit is intended for non-Social Security recipients, Social Security income must be subtracted from the maximum amount of "retirement income" which may be taken into account for purposes of computing the credit. This "offset" feature is necessary to deny a double tax benefit to the Social Security recipients. Since the aged taxpayer would generally lack any understanding of these factors, his calculations are generally mechanical and prone to error.

For some time now our organizations have felt that the credit is far too complicated. To claim the RIC the taxpayer must fill out Schedule R—a separate page of another 19 possible calculations (in addition to his regular tax schedule). We estimate that as many as 40 percent of all those eligible for the RIC either fail to claim it or else make errors in computing it. Since so many of those who should be benefitting from the credit are not being helped, the need for revision and simplification is obvious.

As you know, Mr. Chairman, our organizations are supporting the legislation which you introduced to simplify the credit computation and increase the maximum amount of retirement income which may be taken into account from \$1,524 to \$2,500 in the case of a single aged person and from \$2,286 to \$3,750 in the case of an elderly couple. We would, however, have preferred to see the maximum defined as "an amount equal to the average Social Security benefit" rather than as specific dollar figure in order that once the rough equity in the tax treatment of Social Security and non-Social Security recipients was restored, this equity would have been automatically preserved from year-to-year as Social Security benefits increase. Nevertheless, your legislation represents a substantial improvement over the existing situation and we are encouraged as to the prospects for its enactment this year as a result of the action taken by the Senate Committee on Finance in applying your bill as an amendment to H.R. 8217.

This concludes our formal remarks, Mr. Chairman. We appreciate having had this opportunity to present our views. Thank you.

STATEMENT OF POSITION: KENNETH L. HILL, MEMBER OF THE IDAHO JOINT STATE LEGISLATIVE COMMITTEE, NATIONAL RETIRED TEACHERS ASSOCIATION/AMERICAN ASSOCIATION OF RETIRED PERSONS

Mr. Chairman and members of the committee, We are pleased to have this opportunity to express our thoughts regarding the future direction of the Social Security program. We sincerely believe that only by viewing social programming for senior citizens in its entirety can positive recommendations be made.

Over the years, and particularly during these past few years, we have viewed with alarm a development in the social services delivery system that makes it extremely difficult for older Americans to determine who are entitled to be served and who are the service providers.

We wonder, is the purpose of the delivery system to simply conduct surveys and studies to be filed in various departments of the system. Our Nation, States, and communities have been surveyed and studied, resurveyed and restudied by Federal agencies, State agencies and nonprofit organizations of every type. Each agency claims that they are authorized and have the specific duty to determine and respond to the needs of the elderly. Each is also given the responsibility of

coordinating their efforts with other agencies, however we see little evidence of sincere cooperation to that end.

We recognize and appreciate the efforts of the Congress in Washington to provide solutions to the problems of the senior citizens. Unfortunately, many departments of Government recognizing the social and political appeal of helping to assist the elderly with their problems have sought authority to share in the general effort. It is our understanding that when legislation is passed effecting senior citizens each department that can associate itself with the provider provisions of the law, undertakes its own interpretation of the manner in which it (department or agency) will respond. These guide lines are then passed down to related State agencies, that in turn decide how the State agency will plan to carry out the new law, and hence to the local level for ultimate implementation. The result has been that a labyrinth of interrelated, uncoordinated agencies have been created, each striving to expand its influence.

The intent of Congress is lost in the process. The funds provided for service to people is consumed in agency payrolls, and dissipated in the maze of duplicated service delivery systems.

As citizens we do not know how this dilemma can be solved but we want respectfully to encourage your assistance in some solution.

Thank you for allowing us to make this presentation.

Senator CHURCH. Our next witness is Larry F. Evans of the National Council of Senior Citizens, and president of the NCSC club in Boise.

STATEMENT OF LARRY F. EVANS, PRESIDENT, NATIONAL COUNCIL OF SENIOR CITIZENS, BOISE, IDAHO

Mr. EVANS. Mr. Chairman and members of the Senate Special Committee on Aging: My name is Larry Evans. It is a pleasure to be able to present my observations on "Future Directions in Social Security." Being the president of the Boise club of the National Council of Senior Citizens, I have also been designated as speaker for the national office of the National Council of Senior Citizens to speak for the national organization.

While I am affiliated with and work for several other organizations of senior citizens, I have no warrant to represent those groups, although I believe that my suggestions may represent the view of the majority of Idaho's 78,503 senior citizens who had reached the age of 60 in the year 1972.

It is significant to note that nearly \$167 million was contributed to Idaho Social Security recipients in the fiscal year 1972-73: thus aiding in a large measure the economy of the State of Idaho through these contributions which covered all types of Social Security payments.

This State's growing number of people 65 and older is one of the causes of our concern over the future direction of the national Social Security program and how it is to be administered.

In Idaho's population of 774,000 people, 9.7 percent, a figure smaller than the national percentage of 10.3, passed the age of 65 in 1974. Our people are cognizant of the fact that recent improvements in Social Security benefits are due in a large part to the efforts of the National Council of Senior Citizens. And they appreciate the work of the Congress in making it possible that these benefits are available.

Our people realize the excellent work of the Senate Special Committee on Aging and perhaps more than other States because the chairman, Senator Frank Church, is one of our own upon whom we rely as the staunch ally of the Nation's older people.

FAITH IN GOVERNMENT DEPARTMENTS

Because of the sturdy nature of our people we have not lost faith in all departments of our Government but events have caused some shakiness in the minds and thoughts of many at a time when a feeling of security is most paramount to a long and deserved life of enjoyment. Thus we will constantly call upon the Senate Special Committee on Aging for our needs.

When we consider the increases granted in 1973 to be finalized in July of 1974 totaling a 11 percent raise in Social Security benefits and find that the cost of living has spiraled to a high point of wiping out those increases by July of 1974 and another raise in benefits is not scheduled until July of 1975 we can see that the elderly citizen whose living depends almost entirely on Social Security, will be placed in the same position he was in before he received the 11 percent increase in benefits.

Since he must then live for another 11 months before securing the proposed 1975 scheduled increase in his benefits, and with no foreseen possibility of any retroactive payments of similar pass-through the senior citizen must then look with much trepidation upon an uncertain future when he sees himself constantly falling behind in financial security.

The possibility of calling on children or relatives to aid in these unfortunate circumstances or upon welfare is so repugnant to many who have contributed so much to the community and their country, that they choose to go in seclusion and quickly die before their time.

Mr. Chairman, the National Council of Senior Citizens believes that the time has come to consider newer and better ways of administering Social Security. We believe that Social Security benefits are now—and will continue to be—the measure of regard for our older population.

I can speak for the older citizen only and cannot speak for the 22 percent of the 28 million beneficiaries who are younger disabled workers, and their wives and fatherless children and widowed mothers.

Your committee knows and has constantly pointed out that the vast majority of retirees depend upon Social Security for their major source of income: for many, the exclusive source. Your work has brought about legislation to upgrade the benefits of the system, in spite of opposition of the administration.

Our people believe that your committee will continue the good work. Your work and leadership has improved the system as much as 100 percent in many cases.

At the end of 1967 a widow's average benefit was \$156, more than double the \$75 average in former years, while the retired couple's benefits have increased from \$144 to \$273, both receiving benefits.

STILL FAR SHORT OF GOALS

These advances are significant but still fall far short of the income goal set by the White House Conference on Aging. The recommendations, at that time, based on the figures available from the Bureau of

Labor Statistics in their intermediate budget would have cost a couple \$375 a month early in 1970. At the end of 1972 the figure jumped to \$412 a month. In 1973, the aged population living in dwellings or not in an institution, 5.9 million single persons and 4.6 million married persons had total incomes much below the BLS standard.

For those who have been long on the rolls of Social Security, despite increases, benefits now purchase less than it did when they first started to receive benefits. For example, the average couple enrolled in 1950 received benefits that amounted to half the cost of the retired couples monthly budget—that is—\$74.30 in relation to \$149.17. Today, although the budget has been adjusted to allow for tremendous increases in the cost of living, the budget would cost \$12 a month and the same couple would receive a benefit that had been raised to \$179.60. This amount comes to slightly more than two-fifths of the budget amount.

The unreasonably optimistic claims of the administration concerning the living conditions and standards of the elderly in the future are definitely looked upon with much derision when they constantly wake to find living costs higher today than they were yesterday.

Each citizen of the United States has a right to share in the Social Security program. Each citizen has a vital stake in this program and has a right to be assured that it will be administered with integrity and objectivity. It thus appears that the time is at hand when the entire structure should be given a strict and objective review towards the achievement of the goal which each citizen looked forward to when he planned on depending on the major stake of his security being Social Security.

The group which I represent and the leaders of the National Council of Senior Citizens believe that it is now time to administer Social Security under an independent and nonpolitical agency, let the agency be called what it may. The future effectiveness of all the Social Security programs will either lead to a bright and sound future for our country or towards a state of unrest and disintegrating society.

It does not appear likely that effective Federal regulation might be forthcoming to assure that retirees of the future—and especially low wage workers—will receive private pensions. Such a requiring Federal regulation would be so stringent as to be abhorrent to a free people. If all of our retirees of the future are to count on adequate income for their declining years, such an assurance must come from our basic Social Security system.

Under the present plan of Social Security administration, there is opportunity to subvert the system for narrow-minded political advantage. I am in accord with the public who believes that such actions have already been taken with the system. There would be no such opportunity under an independent agency with a continuous and day-to-day review. Policy of the agency and action would not depend on an occasional review and look at the program by the varied bodies responsible for the operation, as now.

Under an independent unit, Social Security could be removed from the consolidated budget and recipients of Social Security checks would

not receive notices announcing that some glorified elected official had caused the raise through generosity—a raise which the recipients were already entitled to.

The American Association of Retired Persons, through their representative, Cyril Brickfield, has testified that AARP is of a similar mind concerning an independent organization to administer the entire Social Security system.

We feel that it will be the view of this committee, after all hearings are finished, that they find these recommendations commendable and in some degree acceptable, that such a board to administer the program in the future, be not unwieldly, but a small board.

With the uncertainty of the future facing tomorrows retirees, they, along with those of us who are now retired, look expectantly towards Social Security payments being an adequate and sustaining source of living necessities. We cannot now feel that assurance.

The fast moving industrial society created, in a large part, by those who are now retired, has a definite tendency to forget the retired person and relegate him to some forgotten corner where he must enter a new world. For society to reject the experience, talent and ability of this heavy segment of the Nation's population makes for a great loss in our country.

HIGHER INCOME WOULD SPUR VOLUNTEERISM

Thousands of these men and women would be able to gladly use their talent and expertise in community activities so necessary for continued growth. Thousands of these experienced citizens would voluntarily give their services to community and governmental projects if they had an adequate and assured living income. Those who have pensions or other sources of income find those sources being daily lessened in purchasing power and must drawback from entering a volunteer project when the cost of operating an automobile becomes increasingly draining on fixed incomes.

What I am saying is that if the recipient of Social Security had assurance that his monthly check could advance and keep step with the advancing costs of living, he would not hesitate to offer his services to his community when called upon to do so.

This, then, may be looked upon as another reason for your committee, Mr. Chairman, to seriously consider the proposals towards causing the Social Security system to be placed under an independent agency.

A committee member need look no further to find evidence of the truth of my statements than these buildings on the campus of the College of Southern Idaho where the arts, talents, and skills of senior citizens are displayed in the first annual Idaho Senior Citizens Festival of Arts. Yet many seniors refrained from entering because of a shortage of funds.

In the recently completed SSI-Alert program in Idaho, delayed here longer than in other States of the Union, results of the program failed to bring to the rolls some 2,000 citizens whose records show living standards to be far below standard. One of the reasons for failure of this program is the fact that many citizens have lost faith

in "the Government" and refused information or simply could not be interviewed. There is no more urgent need for the entire Social Security program to establish good faith with our citizens and thus render the service envisioned by wise leadership in the Nation's Capitol.

Senior organizations, both national and local, have become shining lights towards the welfare of our retired citizens. Yet much Federal money, our tax money, is being spent in varied Federal programs, established for the purpose of serving the needs of retired people and much of it appears to be wasted through competing agencies who often fail to get the cooperation desired from the seniors, primarily because the senior citizens are not given the opportunity of naming the services most desired. Many seniors feel they should be given the greater voice in establishing services so needed.

TOTAL INCOME BELOW POVERTY LEVEL

The 1970 census showed that 28.3 percent of Idaho's people 65 and over lived in households where the total income of the household was below the poverty level as determined by the U.S. Government. This figure was 2.4 percent higher than the national average, that figure being 26 percent. All of these citizens must be considered as being dependent almost wholly on the Social Security check which they receive. We cannot say that a minority group contributes heavily towards this figure for Idaho's largest minority group, the black population, contributes only 0.1 percent to her population.

Nor can we look forward to much change in the retired population of tomorrow and expect those who retire to be more comfortably secure in income other than that of Social Security. In our agrarian society and state of few industries, pensioners may not increase to a greater degree. Veterans who receive a pension and Social Security often find that if veterans pensions are raised, Social Security checks are cut. But Idaho's senior population is growing. The 1970 census placed Idaho's 65 and older population as ranking 27th in the Nation's growth as against 32d place 10 years earlier. If we add those people 55 and over to those who have already reached 65 we find the elder population as being 133,000 or 29.6 of all people of voting age.

When more than one-fourth of the State's population depend chiefly on their Social Security insurance for their financial backlog and thousands of these receive so little in their benefit checks that they are in the category of the U.S. Government's poverty definition, then the great need to strengthen the general economy of the state and keep many of our citizens off of a degrading welfare could be met by a more adequate goal for those who have labored a lifetime in non-covered labor and I believe that an independent Social Security agency would be more able to look into these needs and establish reasonable programs to meet these needs.

With Medicare sharing in the general revenue as an example of dispensing funds from the Nation's coffers we have already established one plan which might be utilized at a workable method of assuring the country's poorer recipients of Social Security, a better living standard.

SOCIAL SECURITY HELPS ECONOMY

It seems to me that the Social Security program goes a long way towards making a stable economy in the Nation and every safeguard conceivable should be walled around such a program by thorough studies, such as this committee is making today, as well as looking into the programs of other countries with the idea of possibly finding some of their methods as worthy of adoption.

Social Security is certainly a sustaining part of the Nation's financial life. In this country of so great abundance, we cannot and will not tolerate a shabby treatment of those retired people who have spent a lifetime in bringing about the Nation's greatness.

It is high time that the administration devote time, study, and efforts towards a more stable and reasonable domestic policy. All senior citizens would like to see it begin now.

Mr. Chairman, it has been a privilege to be permitted to express these views before your esteemed committees and I wish to express my sincere thanks, while stressing the needs of a more adequate Social Security insurance plan under an independent agency. [Applause.]

Senator CHURCH. You have given us the benefit of a very comprehensive statement which we appreciate. You have emphasized in your statement your feeling that Social Security ought to operate under an entirely independent agency, and it ought to be protected against political intervention.

I agree with you, and I am sponsoring legislation, as you know, that does have the backing of your organization, as well as the AARP, and we are gaining momentum, and additional support all the time. I think we will one day get it done.

Mr. EVANS. Thank you. [Applause.]

Senator CHURCH. Now, folks, we come to the last scheduled panel this afternoon, and that is a panel of State witnesses, consisting of Wil Overgaard, deputy director, Idaho Office on Aging; David Mueller, research specialist, State Office on Aging; Scott Hancock, former SSI-Alert Regional Director, Pocatello; and Harold Smith, State coordinator of social services, Department of Environmental Community Services, Boise.

STATEMENT OF WIL OVERGAARD, DEPUTY DIRECTOR, IDAHO OFFICE ON AGING, BOISE, IDAHO

Mr. OVERGAARD. Thank you, Senator.

The panel this afternoon is made up of people who are deeply involved in working with the SSI-Alert program which got underway in January and February, in the State of Idaho.

David Mueller is the research specialist for the Idaho Office of Aging and who was designated as the State coordinator for the SSI-Alert program; Scott Hancock is the former SSI-Alert Regional Director of a 17-county area who operated out of Pocatello; and Harold Smith is the State coordinator of social services from the Department of Environmental and Community Services.

I just have a couple of overviews to make. Senator, because I think that the presentations by the panel will be much more significant to your hearings than any observations I might make.

The first is the impact of the SSI. I do not believe we have really yet felt the full impact of the SSI program.

Definitely the impact will be on those people who will be able to receive more income than they were receiving. However, there were some 10,000 elderly in the State who were contacted through the SSI program. One out of 10 are being found to be qualified, which means then that there are 9 out of the 10 that for some reason or another perhaps they were borderline cases, or something was wrong, they did not quite make it. The impact on these people particularly in their attitude towards programs initiated in their behalf, may well be negative in the future.

I believe a great impact will also be on those of us involved in the field of aging, who now have a responsibility to offer these persons contacted an opportunity to participate in community programs, and the services and service delivery systems that are underway and proposed.

What I mean is this: We have an obligation to expand our current programs. More resources will have to be generated in order to take care of the needs of additional people that have been found through the SSI-Alert program in the various communities.

Another factor that we should recognize is that the SSI program permitted the active recruitment of potential eligible persons in the payment system, and, although, we have observed many faults within the Social Security system, we would like to commend the Social Security Administration for allowing us the privilege of actively seeking and looking for potential recipients whereby their incomes could be increased.

I would now like to introduce David Mueller, who, as I stated, was the program person responsible for coordination, on a statewide basis, the SSI-Alert program for Idaho.

STATEMENT OF DAVID MUELLER, RESEARCH SPECIALIST, STATE OFFICE ON AGING, BOISE, IDAHO

Mr. MUELLER. Senator, after consideration of the future direction of Social Security, we felt that the SSI-Alert project, as sponsored by the AoA, had been in a unique position to observe the implementation of the SSI program and the system involved.

The Alert set a precedent by providing for active recruitment of participants for an income benefit program. The primary function was to inform the public of the existence of SSI and to enlist volunteer for a campaign to locate and screen potential eligibles.

In relation to these procedures, the following observations were made:

(1) As leads were screened by the SSI-Alert staff and sent to the district offices, a backlog of applicants was created, due to insufficient staff for processing of the referrals.

(2) From the beginning, confusion as to regulations and their interpretation existed at all levels in the delivery system. Many dis-

ability cases involved complex determinations. As such cases appeared the need for further training of SSI Social Security, the disability determination unit, vocational rehabilitation staff, and our own staff on the interrelationship of these agencies and the referral process involved was evident. When a participant enters the system, a path has not been defined or identified that will bring them through the system with all possible referrals.

(3) The means test required for qualifying has become as stigmatic as the system we were trying to avoid. We have taken the social worker out of the system and imposed a paper means test which still requires threatening verifications of personal assets.

(4) The basic flaw of SSI lies in its ineffectiveness to provide purchasing power to the elderly consumer. Since the original legislation in 1972, inflation has eroded its intent. Even with the increase to \$140 for an individual and \$210 for a couple, the actual purchasing power remains at a level less than originally intended in 1972. Further regulations originally considered liberal, such as the \$1,500 cash allotment, may now be restrictive.

SPECIFICS ON PROBLEMS

To be more specific on some of the problem areas, we will cite cases that appeared frequently:

A large number of those screened by the Alert had liquid assets exceeding the amount of \$1,500. Some had the intention of utilizing this sum as a burial fund. Others had a considerable sum in the bank, such as \$10,000, and were living off the interest as their only means of income.

A number of temporary disability cases were brought to our attention where there was a need for immediate payment. There is a 6-month waiting period on the SSI determination.

Assuming the person could not fall back on workman's compensation, and that the State requires a permanent determination, the question arises as to who will cover the person during the interim period until the permanent determination is made.

This problem is of greater significance in light of the susceptibility of the older person to a debilitating injury from accidents.

Several cases have been brought to our attention in which the valuation of a farmer's land exceeds the \$25,000 limit. In assessing the resources this is an asset; however, reluctance to sell one's homestead is understandable.

A large number of applicants screened by the Alert have called concerning the processing of their checks. Several had applied as far back as January and are still waiting. This has been a common problem but significant with respect to the date of original filing.

The question of protective filing date has been based on the district office's interpretation. With the backlog of potential recipients, a standard national policy statement is necessary to assure the retroactive payment to those eligible and located by the Alert.

In all, the Alert was conceived as a massive sales campaign. As such the Administration on Aging was the mechanism to inform

thousands of the SSI program. As the salesmen we are only as good as the product we sell. We are answerable to the consumer. As frustration with the system continues to build, the participants are questioning the Alert as to the product we have sold.

The Alert in Idaho contacted some 10,000 aged, blind, and disabled. We originally projected some 1,000 would be placed on the SSI roles. To date we will be lucky to see 500 actually qualify.

Considering the original SSA projections that some 7,500 people in the State of Idaho will qualify, we can assume that there is a tremendous number of borderline cases. Therefore, as advocates for Idahoans we feel the income floor should be increased significantly.

The means test should be both liberalized to include the large number of borderline cases in need of assistance and simplified to allow the layman to readily determine eligibility.

Thank you. [Applause.]

Mr. OVERGAARD. I would like to now present Mr. Hancock.

STATEMENT OF SCOTT HANCOCK, FORMER SSI-ALERT REGIONAL DIRECTOR, POCA TELLO, IDAHO

Mr. HANCOCK. Thank you very much. As you all know, the Supplemental Security Income program is a new program, a program for the people over 65. I would like to direct myself to the other parts of the program, which is for the blind and disabled, who can be under 65.

We found people in our program that were either blind or disabled, and this would include mental retardation, who were not eligible for various reasons, and I will cite a few.

One example. I was called one day by a woman who had taken a job since her husband had died.

She had never worked before, she was 55 years old. She could not draw her Social Security. She went to work as a maid. On leaving work one day, she fell and broke her hip. She called, and at this time she had been 3 months disabled.

Under the disability standards of Supplemental Security Income, she was not eligible, yet she did not have workman's compensation, and she had a very small amount to live on monthly.

We told the lady of the regulations, and I asked her if her doctor would in fact say it was going to be a continuing disability, then we could get her eligible for Supplemental Security Income.

This is one of the problems that we have run into. Doctors seem hesitant to make disability determinations, and I know this is also true in Social Security.

This lady's doctor would not make a disability determination beyond 5 months, at which time he said he would have to reexamine the bone structure and find out if she was going to be able to work. However, this lady had a prior history of broken bones throughout her life, and a disease that kept them from healing properly, and if she broke the bone many times, her bones took as long as a year and half or longer to heal.

These types of cases are of the type that are very disheartening in the SSI program.

A CALL FOR NEW ELIGIBILITY STANDARDS

I feel and am advocating that the eligibility standards in cases like this be drastically changed.

We found a number of people who are and have been disabled most of their lives, who for one reason or another were with agencies that they were dealing with, and were disqualified.

There are several agencies that were cooperating in the SSI-Alert program. A case we ran into, which to me typifies the lack of knowledge of SSI, and I will talk about what that lack of knowledge of SSI is, and what the problems were with that in a moment.

We discovered a boy who had been receiving SSI payments, his parents called and said that for no apparent reason his payments were cut off. That, this was from a lack of cooperation between two different agencies, and the agencies were blaming each other for the stopping of payments.

I investigated and found out through the State level that this boy was now indeed still eligible, and that he could receive automatic compensation from the State until his payments could be renewed through the computer; however, the people involved refused to do this.

Today, this case, to my knowledge, has not been settled satisfactorily. However, I have learned that he waited the initial month and a half, or whatever it took, to get his payments back, and they did start, but there is an overriding problem.

This boy required a bladder machine each and every month which the State was paying for. They paid the pharmacy bill on this machine. When his payments were stopped, the State also stopped paying for the bladder machine, so as I was saying, this was a critical situation, where the participating agencies had no point in the hassle between them.

He did, through a number of people in the area, get the required attention that he needed; but as I said, there was a clause where he could have received immediate State payments.

LACK OF NATIONAL NEWS COVERAGE

Now, as I said, I will address myself to problems within the SSI program. I think that one of the big problems with Supplemental Security Income, especially the SSI work program, was the lack of national news coverage.

Now, I understand that throughout the Boise Valley, there was a lot of local coverage, but the people throughout the United States were aware that this new program was going to exist.

In the entire SSI project, I saw 2 minute spots on SSI. The people whom we could not reach—you always missed a certain amount—could have been reached through national coverage of television and radio, and in my opinion, a program this broad, and a program to help people, should have been a very important area for national news coverage.

We could have reached a lot more people than we did. We did receive a lot of publicity locally, but another problem with SSI was that people, as Mr. Evans said, were hesitant about a new program.

People are very hesitant about new programs, and a lot of the older Americans feel a lot of programs come along, that are short lived, and are not going to help them.

Through the national news coverage, I think this possibly could have been alleviated a great deal. We did locate a great many people, and we did help a great many people. I think personally that the eligibility standards for SSI are entirely too long in judgment, they take too long.

I was quoted exactly this way, that if a person is over 65, and they are in stringent cases, he can receive an automatic cash payment right on the spot. However, if a person 64 were to go in, obviously disabled to the point of practically no arms and no legs, he would almost have to have one foot in the grave to receive an automatic cash payment, no matter what his background, and no matter what he was living on.

The eligibility judgments are especially hard on disabled people, they take far too long, sometimes as high as 6 months.

People that have been eligible for Social Security, it goes more rapidly; however, if you have not worked a certain number of quarters, no matter how disabled you are, you cannot receive Social Security benefits, so if you have never claimed eligibility, then it is extremely hard, and a long process to be claiming eligibility for Supplemental Security Income, no matter how severe the disability.

Thank you.

Senator CHURCH. Thank you. [Applause.]

STATEMENT OF HAROLD SMITH, STATE COORDINATOR OF SOCIAL SERVICES, DEPARTMENT OF ENVIRONMENTAL AND COMMUNITY SERVICES, BOISE, IDAHO

Mr. SMITH. Senator Church. I will try to be brief. I know it is late, and the people are tired, but I do have a subject that I would like to mention, which has not been really mentioned today, and that is the social service needs of individuals receiving SSI benefits, and particularly the aged, blind, and disabled people in general.

As you know, under title VI of the Social Security Act, Congress authorized to be appropriated matching money to be available to the States to provide social services to SSI recipients, former recipients of SSI or those aged, blind, or disabled persons who potentially will be eligible for SSI benefits. These payments would be available only when the State has submitted and had approved by the Secretary of Health, Education, and Welfare a State plan for providing such services. The provision of these services by the State is not mandatory.

Idaho, through the Department of Environmental and Community Services as the single State agency, has elected to provide these services to SSI recipients and other eligible aged, blind, and disabled persons. A new plan was submitted to Health, Education, and Welfare this past fiscal quarter and was approved on May 6, 1974.

Idaho, through the Department of Environmental and Community Services, is still administering the programs of old-age assistance, aid to the blind, and aid to the permanently and totally disabled, SSI

has as its aim to provide a basic Federal payment nationwide that will assure that each eligible person will have an income of \$140 now and \$146 beginning in July 1974. The State standard of need for a single individual in Idaho is \$192. Idaho, therefore, is providing an additional payment through its public assistance programs so that the SSI recipient or Social Security beneficiary, is at least assured of an income level equal to the State need standards.

Currently, we are making about 3,800 of these payments in Idaho. About half of these I am told are to Social Security beneficiaries, who are not receiving SSI, as their income is greater than that which would make them eligible for SSI benefits, but not enough to make them eligible for State benefits. The State is now increasing its benefit level for a single person to \$192, because Congress is increasing the amount of the Social Security benefits, and the State wants to pass the increase on to the person receiving assistance in Idaho.

We are concerned that SSI beneficiaries in Idaho are not aware of the services available to them through the Department. We have attempted to arrange for the SSI administration to explain to people applying for benefits the services available to them through the Idaho Department.

SSI does refer these people for money payments, but I am afraid due to the difficulty of processing all of the applications received, and the press of time, that SSI is not able to identify the people who have service needs, and refer them to the Department.

SERVICES IN THE HOME

Some of the more dramatic and successful services are those geared to assist the individual to remain in his or her own home rather than having to be institutionalized, or to return to his or her own home from an institution. These include, along with many other services, arranging for health services, homemaker services, prepared meals, and transportation.

Another valuable service, for example, is that of information and referral whereby we can provide information on any service available in the community and assist the individual in obtaining these services. The Department of Environmental and Community Services stands ready at all times to assist any citizen in this regard.

I am sure these services can be expanded and made more available, but in some way or another, the SSI beneficiaries must be aware of the fact that these services are available.

I will not go on further about these services, except to say that I do hope that the department will be able to improve with the Office of Aging, and other private agencies in the State.

Congress is now considering new legislation in respect to the social service programs. In the meantime the administration is attempting to reduce the Federal money available to States for social services. As Senator Church knows, it was necessary for Congress to suspend, in November 1973, regulations that had been issued by the Department of Health, Education, and Welfare. These regulations would have reduced considerably available Federal assistance to social services. Studies by Congress now are geared to considerations as

to how best to assist the States in providing these services, and we wish you the best of luck Senator Church in your efforts in this behalf.

I would like to also say that with regard to medical assistance, or Medicaid, as it was referred to today, all SSI beneficiaries in Idaho are eligible for medical assistance, and I am afraid that many SSI beneficiaries are still not aware of this.

VERY FEW SSI APPLICATIONS RECEIVED

The department is receiving very few applications from SSI beneficiaries, although the medical assistance program pays the individual's premium for Medicare and pays for all deductibles required.

I hope that Idaho can provide some kind of an informational program that will make people much more aware of these benefits.

Thank you, Senator.

Senator CHURCH. Thank you very much. [Applause.]

I think that you have already contributed to a better understanding of the connection between the social services that are available, and the SSI program.

I hope that members of my staff who are present, and have listened carefully, because we often have occasion to talk to people at the courthouses and elsewhere, and we ought to be mindful, too, of passing on that word to them, whenever possible.

I think that given the lateness of the hour, and the fact I was not able to get started at the planned time this afternoon, that I will not question the panel. I think you have all made an excellent contribution to the record.

I would make this one observation though, and that is in your testimony and in much of the testimony we have heard today, we have been constantly reminded of the underlying problem of inflation, and the way it eats away at all of these programs.

I think that inflation is the big feast, and as much as I want to see those programs work, and as much as I want to see Medicare improved, and the Social Security benefits made adequate; it all is pretty futile if the dollar is deteriorating in value so rapidly that it is not possible to keep up. We have been playing a catchup game with inflation for years now.

THE BIG NEED: A STABLE ECONOMY

Two years ago when I sponsored the 20 percent increase in Social Security, I thought for the first time we are not only going to catch up, but we might get a little improvement in the level of income for the senior citizens of the country. We did get a little improvement for a few months, and then inflation ate it all up, and we have had to have another 11 percent increase, and at the time that 11 percent takes final effect with the 4 percent that come due in July, inflation will have already passed it by. The biggest single thing we could do for the elderly, and also for the rest of the people in this country, including the young people, with young children, and young married couples, is to stabilize the dollar, and to stabilize the economy.

I know that is not an easy thing to do, and no one else seems to have the answer right now.

When you consider back in President Eisenhower's time, prices were stable, there was no appreciable increase in the cost of living, in President Kennedy's time, prices were also very stable. The cost of living increased on the average of only 1.5 percent a year.

In President Johnson's time, the average increase in the cost of living was 3 percent a year.

In President Nixon's first term, the average cost of living went up 6 percent a year, and today, in 1974, the cost of living is going up at a current rate of 14.5 percent a year. Now, inflation is getting out of hand, it is going rampant, and something has to be done about it.

I have seen inflation destroy other countries. I was in China at the end of the second world war. I saw inflation destroy Chiang-Kai shek's government, and usher in the Communist revolution.

After the first world war inflation, runaway inflation destroyed the German republic and opened up the doors of Hitler.

In South America, inflation has destroyed every democratic government. There is not one democratic government south of the border, and in every case these military dictatorships have taken charge in the wake of a terrible inflation.

I would hate to see anything like that happen in the United States, so I think that we must do everything we can to make these programs good and sufficient, but the underlying job we have to address ourselves to in this country if we are ever going to have adequate and satisfactory programs, is to stabilize our economy.

That is the biggest single task today.

Will, I am told that you have something more to say, and before I gavel the meeting to a close, I want to give you a chance to say it.

Mr. OVERGAARD. Right at the conclusion of the hearing, the singing, swinging senior citizens from Idaho Falls will again have the honor to entertain us, and we want to also mention that this evening, at 7 o'clock, in this auditorium will be the senior talent show, and not forgetting again tomorrow morning, commencing at 8:55, we start our State conference on aging.

Thank you, Senator.

Senator CHURCH. Thank you.

[VOICE FROM THE FLOOR.] One phase of this big program that has not been mentioned today, and it is very late, and I know you are tired, but could you briefly answer this. There are many senior citizens who have been part of the retired teachers, and there are many who do need further benefits.

Is there any way that this thing can be leveled off, that the people that do need help, does not get that help, and I know that with all of the problems that do exist, that this is something the committee can see as a possibility of leveling it off.

Senator CHURCH. Well, as far as Social Security is concerned, the leveling off on process comes from the size of the income on which the tax is imposed.

In other words, a person earning \$50,000 a year is not paying Social Security on \$50,000, and does not get the benefit based on that \$50,000 income.

MINIMUM INCOME FOR DECENT LIVING

If he paid the Social Security tax on a maximum of \$13,000 a year, which is the present base, \$13,800, so there is a built-in limitation on the amount that is contributed into the system, and the amount that is paid out, and in going back, the purpose of Social Security back in the days of the depression, when it was first set up, the days of Franklin Roosevelt, was to assure everybody that at least a minimum income for a decent living in retirement could come about, not to do more, and in this way we are trying to keep Social Security.

Now, it is true, as you say, for a long, long time those that were drawing the largest benefit seemed to get the best of everything. Everytime we increased Social Security 10 percent or 20 percent, whatever it was, those that were getting the most got the biggest increase, those that were getting the least got the smallest.

I was very concerned about that, and that is the reason I worked so hard to get this SSI program started, because that program at least is addressed to the people at the bottom who need the help the most.

You have a very valid point. All I can say, I am mindful of it, and there are some things which I can do about it.

Are there any other questions now from the floor?

[VOICE FROM THE FLOOR.] That is not correct. The fellow gets 10 percent, the fellow at the bottom of the ladder, he gets only 10 percent just as the fellow at the top of the ladder.

Senator CHURCH. That is exactly the point I tried to make here, that special attention has to be given to the fellow at the bottom of the economic ladder, no question about it.

Now, anybody who has a question, and who has not had time to speak out, and does not wish to speak out, you have this form* available, and we will see that you get a written reply, so do not leave if you have a question that you want a reply to, remember that these forms are available, for your use.

Before we adjourn, would you just stay a few minutes longer to hear the ladies who came to sing a few songs for us all, and they were cut off, and they would like to finish their program, two or three very nice songs. Let us give them a good hand.

We will terminate the hearing at this time.

[Whereupon, the hearing was adjourned at 5:30 p.m.]

*See appendix 2, p. 528.

APPENDIX

Appendix 1

LETTERS AND STATEMENTS FROM INDIVIDUALS AND ORGANIZATIONS

ITEM 1. LETTER FROM GUY R. SHAMBAUGH,* DISTRICT MANAGER, SOCIAL SECURITY OFFICE, BOISE, IDAHO; TO SENATOR FRANK CHURCH, DATED JUNE 19, 1974

DEAR SENATOR CHURCH: I appreciate the invitation to submit additional information and comment for use of your committee's hearings on "Future Directions in Social Security."

The Supplemental Security Income program is still a heavy burden on the Social Security offices because of:

1. Insufficient staff.

2. Inadequate equipment in Baltimore and in the field to handle the massive systems input necessary to set up records and keep them current to effectuate proper payment timely. Because of the limitations in Baltimore, the district and branch offices throughout the country are called on to do much additional work (quite often re-input material correctly introduced once or twice before) to hopefully effectuate more prompt payment to beneficiaries.

I have been told by responsible individuals from the Baltimore complex that rental or purchase of an additional large computer for backup purposes is a necessity and is being recommended.

It is our feeling that regulations (apparently U.S. Treasury) limiting the emergency advance payments possible in the district and branch offices are far too restrictive to meet the urgent needs of many beneficiaries. The present system results in as much as two to three weeks delay in authorized payments being received by recipients. As I know you are well aware of, many of these recipients have no means to purchase necessities during this two to three week period. Additionally, these persons cannot get food stamps without the outlay of some cash.

We feel the emergency funds on hand in the district and branch offices could be more effectively used to meet the urgent needs of entitled individuals if the district managers were given more latitude in authorizing emergency advance payments.

Sincerely yours,

GUY R. SHAMBAUGH, *District Manager.*

ITEM 2. LETTER AND STATEMENT FROM C. O. YOUNGSTROM, PRESIDENT, IDAHO FEDERATION OF CHAPTERS OF NATIONAL ASSOCIATION OF RETIRED FEDERAL EMPLOYEES; TO SENATOR FRANK CHURCH, DATED JUNE 7, 1974

DEAR SENATOR CHURCH: I am happy to send you my statement on behalf of the Idaho members of the National Association of Retired Federal Employees

*See statement, p. 489.

to be filed with the Committee on Aging as a part of the record of the Twin Falls hearing held in that city May 16th.

Sincerely yours,

C. O. YOUNGSTROM,
Idaho Federation of Chapters of NARFE.

[Enclosure.]

We are pleased that Senator Church, Chairman of the Special Committee on Aging scheduled a public hearing of the Committee in Twin Falls to listen to the problems and concerns of older persons and to secure their recommendations. We are especially pleased that the record remains open to enable us to submit this statement.

Without question the most serious economic problem which confronts retired persons living on relatively fixed incomes is that of inflation. This drain on the resources of those no longer in the labor force who are dependent on the provisions they were able to make during their working years to see them through their period of retirement is devastating and there appears no end in sight. The adverse effects of the inflation we have been experiencing is by no means limited to retired persons on fixed incomes but their situation is particularly acute.

Cost of living adjustments, Social Security benefit increases, Supplementary Security Income and such other measures as this Committee and its members have aided in passing the Congress are most welcome and needed assists for a group of people that deserve attention. They are by no means a complete answer. Policy formulation by both the Congress and the Executive branches must have a foremost concern for dealing with the extremely complex forces that generate inflation that they may be blunted and at the same time avoid the catastrophe of a depression.

There are two measures before the Congress that our Idaho group of NARFE Chapters is interested in supporting and respectfully urges the Committee to examine. Although neither of them corrects the underlying forces causing inflation they both will assist Federal Civil Service retirees to offset the loss of purchasing power of their income.

(1) The first is the proposed updating of the Retirement Income Credit feature of the Federal income tax code. When this Credit was first established by the Congress in 1954 it was done to provide a similar measure of tax relief for Civil Service annuitants and others not enjoying Social Security benefits. Social Security benefits are properly not taxable. Retirement Income Credit affords in a somewhat complicated way a comparable relief for those retired persons who do not receive Social Security payments.

RETIREMENT INCOME CREDIT ADJUSTMENT

There has been no adjustment in the Retirement Income Credit since 1962 although during this 12-year period there have been substantial increases in benefits paid to those receiving Social Security, the latest a deserved 11% increase in 1974. In the interest of equity and justice it would seem entirely appropriate to update the Retirement Income Credit and bring it in line with the original purpose established by the Congress in 1954 and reaffirmed in 1962 when the last updating was adopted.

Senator Church has recognized this need in proposing an amendment to H.R. 8217 which would raise the maximum amounts for computing the Credit. The Idaho members of the National Association of Retired Federal Employees strongly endorse this proposal and wishes to respectfully suggest to the Committee their interest in its final approval. Our analysis of this amendment leads us to the conclusion that it is to be preferred to the measure sponsored by Mr. Broyhill and approved by the House Ways and Means Committee which among other provisions provides that an individual would lose the credit dollar for dollar for adjusted gross income earned over \$7500 and for a joint return, over \$10,000.

(2) The second measure which we would like to call to the Committee's attention is S. 628 which after passage in the Senate was amended in the House to eliminate the reduction in Civil Service annuities required when an annuitant designates a surviving beneficiary to receive a share of the annuity upon the death of the annuitant.

This proposal is a basic change in the Civil Service Retirement System that would constitute a substantial improvement and is a move in the right direction

in the opinion of our Idaho NARFE members. This automatic provision for survivor protection upon the death of the annuitant would be similar to the present automatic protection to survivors when an employee dies in the Federal Service. It would seem justified, therefore, to provide it also to a retired Civil Service employee. This would be accomplished if S. 628 as amended in the House is enacted into law.

We are grateful for this opportunity to submit this statement of the views on these issues for our Idaho NARFE members to the Senate's Special Committee on Aging for their consideration.

ITEM 3. STATEMENT OF WILLIAM P. HARTMAN, EXECUTIVE DIRECTOR, CANYON COUNTY ORGANIZATION ON AGING, INC., CALDWELL, IDAHO

In our existing system of services and cash assistance payments we have created a mass of confusing and all too often restrictive regulations. Just within the last year we have had one federal register published and then abolished regarding service programs for the aged, blind, or disabled under Titles I, X, XIV, and XVI of the Social Security Act. This type of bureaucratic bungling has been referred to as operation mangle, however, I prefer to call it operation strangle, because it has effectively prevented services from ever reaching the people who need them.

In the area of cash assistance payments (SSI) the regulations are confusing to most people and are punitive in nature rather than supportive or preventive. Under SSI the regulations in effect force an individual to be virtually broke to qualify and the process of becoming eligible is often so embarrassing and demeaning that many older Americans refuse to even apply. These people grew up in a period of self-reliance and belief in the goodness of their country. At this point in our nation's history we could use some of that same spirit, however, instead these regulations are effectively destroying that spirit in our older Americans. A specific example of this is the requirements for SSI. A single person must have resources of less than \$1500 which includes cash value in life insurance and savings and investments. They are benevolently allowed to own their own home and one automobile. For a couple the standard is \$2200 in resources. As one can see these kinds of restrictions effectively destroy a person as an individual. True, if an individual were young and able, many would be happy to have these resources, but we're discussing people who are either disabled or too elderly to work and who, even if they desired to work, probably couldn't find much in our youth oriented job market.

These kinds of regulations are obviously not designed to be supportive. In fact it is difficult to determine what the intents are.

Let us recognize that many of these regulations are now out of date, i.e. income guidelines have become punitive rather than supportive or preventive. We can remedy this situations, but the decision making process must begin to include the people who best know the problems, the older Americans themselves and the local employees of SSA, public assistance offices and senior citizen programs. Unfortunately this hasn't been done in the past. The decisions have been reached at the federal level and then handed down to the state and local units of agencies. People themselves then have no choice but to attempt to work with them and around them. We can and must reverse this decision making process, so these programs will then be able to fulfill the functions they are supposed to.

WILLIAM P. HARTMAN,
Executive Director.

ITEM 4. OBSERVATIONS ON SOCIAL SECURITY ADMINISTRATION, SUBMITTED BY INFORMATION AND REFERRAL SERVICE, INC., BOISE, IDAHO

April 29, 1974.

This office has recently worked with a variety of complaints and difficulties concerning the Social Security Administration. These problems have been from individuals with a variety of educational backgrounds, of various age statuses and of a wide range of income levels.

Case No. 1. A widow and retiring teacher, 65 years old, began application for her retirement benefits during the summer of 1973. In December 1973 discovered on her own that she had been given misinformation by the Social Security Administration service person. Her application was incomplete and therefore had not been processed. At that time she made re-application and was promised a check by February. The second application got lost in the processing cycle. When the client complained to a Social Security Administration staff person about the great delays and inefficiencies, the staff person became hostile and rude. The client substantiates that she spoke to more than one SSA staff persons who gave conflicting information, yet SSA places the responsibility for errors on the client. This client received her first Social Security check in mid April 1974, fully nine months from the initial application and five months from when she should have received the first check.

PAYMENTS RECEIVED AFTER ELIGIBILITY EXPIRES

Case No. 2. A widow and school system employee, 56 years old, is eligible for dependent benefits during the three summer months, June, July and August. She received payments during the summer months of 1973, but payments did not stop in September when she returned to work. After many notifications and complaints to the local SSA office, the client was still receiving payments in April 1974. She does not bother to return the checks any longer, nor does she cash them. She asks how often does the SSA tie up money for the ineligible while the eligible sustain long delays in receiving benefits.

Case No. 3. A family with a foster child, age 16, assisted in making application to SSA for the check of the child, who is eligible as the dependent of his disabled father, to come to the foster child and his foster family. The application was made six months ago. The SSA lost the father's statement of permission to change the check, therefore, the child's real mother is still receiving the monthly check which she cannot legally cash. It is returned to SSA each month. The case has not yet been resolved and the foster parents continue to bear a financial burden for which there is an obvious resource.

Case No. 4. Widow, nearly blind, 78 years of age, states that her SS checks have been late starting in January when that check didn't arrive until the end of February. The April check which should have arrived around the 3rd, arrived mid-April. In January, the client borrowed money from a loan company to pay the rent for she feared eviction by her landlord. Recently she again borrowed money for food. She states she'd rather borrow from a loan company than "beg" from Ada County Welfare. She has to pay back an advance from County Welfare anyway, so she prefers paying the loan company with interest and dignity, than "begging" from welfare.

Case No. 5. A 70 year old man, disabled and living in a hotel had applied for SSI, but had not heard from the SS office. He was completely out of food and sought assistance with his problem through the Information and Referral office. The SS office was contacted in his behalf. There was considerable delay while the SS worker searched for his application. She finally checked through the computer to Maryland and it was verified that the client had been approved for benefits. The I & R staff person was asked by SS worker to recontact the client to urge him to go to the SS office for assistance from the emergency fund. He has great difficulty walking, but he did go to SS office to get his emergency check. In following-up with the client, he stated that SS didn't know when he'd start receiving his regular benefit check. In the meantime he's eating very sparingly to get by on the money he has. He has become quite disgruntled and refuses to recontact the SSA.

Case No. 6. A farm wife, age 62 in April 1974, is taking early retirement benefits. She started application procedure in January. She has to show her birth certificate to verify eligibility and through no fault of hers or the SSA, the Bureau of Vital Statistics produced her twin brother's certificate. After she obtained her own certificate, about the 1st of March, the SSA worker said application was not complete until they had written signed statement regarding her lack of earning any salary in 1973. This caused additional delay, but the statement was provided to SS prior to her birthday. Her first check *should* arrive in May.

SADDLED WITH TOO MANY RESPONSIBILITIES

Comments: 1. The pattern of inefficiency, of delays, of rude and abrupt behavior experienced by many beneficiaries clearly indicate the SSA is being sad-

dled with too many responsibilities for which the Administration is not equipped or staffed to handle. The many levels of procedural interpretation and continually changing regulations compound the on-going problems of misinterpretation of regulations to clients, lost applications, mislaid support documents, computer disorders, and loss of temper. Too frequently a call to the SS office results in a two, four or even up to 15 minute wait (a staff person held to test "hold" time before reaching the person with whom one needs to speak). In addition, the pattern of being transferred among several people indicates that confusion exists for the phone receptionist cannot identify a staff person to receive a specified problem. This type of reception is frustrating to professional social service personnel. How must the beneficiary who wants simply to clarify SS status respond to each shuffling of staff and delays in response.

2. *Mandate to provide information and referral.* The regulations made no provision for SS information and referral to cooperate or tie in with existing I & R Service providers, thus a duplication of service was created. The Social Security Administration does not have the funds to staff the I & R component with qualified personnel to provide reliable information, referral and follow-up. Nor has SS sought to contract with other I & R providers for training to produce competent staff. The incomplete and low quality resource files leave the competence of referrals in doubt. Many persons who are referred out of SS eventually find their way to private providers after much wasteful searching and seeking services from various community agencies. This type of transmittal of misinformation confuses the service delivery rather than providing creative linkages for which I & R is intended. An "inside" source at SSA stated that clients are referred to finance and loan companies to meet emergency needs. Clearly, the ethics of this type of referral are questionable and could profoundly compound already existing financial problems. Other Information and Referral directors and managers in several states have indicated this pattern is typical of their state also.

Appendix 2

STATEMENTS SUBMITTED BY THE HEARING AUDIENCE

During the course of the hearing a form was made available by the chairman to those attending who wished to make suggestions and recommendations but were unable to testify because of time limitations. The form read as follows:

If there had been time for everyone to speak at the hearing on "Future Directions in Social Security," in Twin Falls, Idaho, on May 16, 1974, I would have said:

The following replies were received:

F. JIM ANDERSON, WEISER, IDAHO

I would like to see Social Security increased dollar-wise instead of percent-wise.

Give everyone a \$10 or \$20 per month increase instead of a 10% or 20% increase on account of inflation.

The person that gets \$250 a month and gets a 10% increase means \$25 a month increase and the person that gets \$142 means an increase of \$14.20. Everyone has to pay the same amount for a loaf of bread or a slab of bacon.

This change would take some of the increase away from me but it would help the low-income people.

SSI is fine but some of the low income can't come under it; because they might have \$1,500 in the bank that they have saved over the years to buy themselves and not go on the county.

MRS. FRANK S. MANSFIELD, TWIN FALLS, IDAHO

As a member of A.A.R.P., I was a Volunteer for the S.S.I. Alert Program. Here are a few points that have been noted in my calls on the blind, elderly and disabled.

Some of the elderly are reluctant to even discuss the Program, because they feel while they may qualify for an increase, other benefits may be cut. Their low-income housing rent is raised with the S.S. increases. Some pensions are cut or lost entirely. Meanwhile, the cost of living continues to rise and they feel worse off than before.

It is my understand that \$6,000,000 has been spent to find those people eligible for the Supplemental Income, and only 1/10 qualify! It would appear that this is a very costly effort with meager results. Under those circumstances, is a continuation of the Program justified?

RICHARD J. HOLM, CASCADE, IDAHO

Be certain death report is certified to eliminate computer error such as Mrs. Jenkins.

Provide aid for the thoroughly disabled in some fashion so they can exist during present waiting period of 24 months of complete disability. Medicaid paid, home support, meals, clothing, residential, etc. Respect pride of individual and his information.

Put through Ribicoff's bill or a like one and I extend my congratulations on what Senator Church has accomplished in all fields.

VIOLA MITIALOW, MCCALL, IDAHO

We're not getting enough money on our Social Security and it takes all my money for my board and room in nursing home.

BESSIE B. ERICKSON, TWIN FALLS, IDAHO

In Twin Falls, May 16, I had some questions on how we could help those whom we know need it. So many times we can look around in our own neighborhood and help without getting tax monies involved. Each can use their own talents. Why not just give (free) a little of our time to the unfortunate? I am wondering what has happened to the "Mobile Teachers Bill." Some time ago I read that it was in committee? There are many teachers that could be benefitted from it. I know that you are working for the passage of it.

Our non-working neighbor with substantial income from stocks and bonds, interest, and mortgages held, receiving full S.S. benefits is entitled to it. He has contributed his full share for his benefit. Now, as to Mr. Burkhardt's view on the interest of money on savings, monies earned from stocks and bonds, and from rentals, plus interest earned from mortgages, being or having a S.S. tax attached, I am against it, since, again, the elderly pay more than their share.

CONNIE PLUTH, BOISE, IDAHO

Question. What is the status of your bill S.2695 to expand Home Health care benefits under Medicare to include start up monies for Home Health Agencies in rural areas; increase the number of 1' visits per year to 200 up from 100; and to provide coverage for Homemaking services?

I am particularly interested in coverage for Homemaking services as I am the Director of a private, non-private Homemaking service in Boise in which 80% of our caseload involves the elderly, 2/3 of whom are low-income and unable to pay for services. The Home Health Agency with the Central District Health Department has a purchase of service contract with our agency for "Home Health Aide" services for Medicare (and Veteran) patients. Yet, as you are aware, coverage for such services are limited because they must be physician-ordered and R.N. supervised through a certified Home Health Agency. Yet as you are also probably aware, following testimony from Dr. Ellen Winston, Homemaking and Home Health Aide services do not substantially differ as the general move around the country has been to combine these two paraprofessional components into one role and service.

MR. & MRS. WILLIAM L. HEAPS, FILER, IDAHO

I would like to know why SSI took off our payment when we get a raise in Social Security. I was supposed to get a check from SSI for \$81.40 and get a check for \$69.80 which make it less than I was getting on DPA.

My remark is why can't they do something about the Medicare cards, some-way make them of plastic so they can't get worn out. Mr. Heaps card is just about worn out. I'm pretty sure there are a lot of Senior Citizens whose Medicare cards are worn out. I hope something can be done for this cause they spend money on some things that are not worth spending, hope to hear something about this.

Thank you.

EDNA GRANT, JEROME, IDAHO

The cheap rates on transportation on tours are fine. But how about having discount rates on buses for Senior Citizens?

There are many who have children to visit at distances rather than take tours. I made at least nine trips from here to Washington, D.C. Buses give discount to people on state aid—why not to all Seniors over 65 years? Fare is so high I did not go this year.

I used to get \$66. S.S. check, now I'm up to \$79 by work and percent raise. I live on that and what I saved. I worked for a self employed ex-husband for 15 years. Then by his request was divorced at age 57; reason for my low S.S. check. Before that I was a dairy farmer not covered by S.S. and a widow.

CLIFFORD J. CARTER, NAMPA, IDAHO

In your Twin Falls, state conference on aging May 16 & 17 nothing was said of we the disabled that can't work & supplement our small pensions. We were unlucky that by trying to save for old age, we have over \$2,000 in the bank for emergencies. True social security pays \$250 for burial expenses. The railroad pension gives none. I pay the union 50 cents a month for a \$300 burial fund. Neither the \$250 or the \$300 will in any way pay burial expenses for either of us. Instead of trying to help the retired that can work & supplement his pension or the fellow that works at a low paid job & supplementing his salary, please think of we the disabled, especially those of us that can't work & thus help him or her self. Ten years ago June 4 64 I had to retire after three years of sickness. I can not work, eight years ago my wife also had to retire on disability & can not work either. Thus there are many of us that can't work to supplement his pension & could use help. I lacked 8 years to build my pension to a full pension, my wife 6 years. Retiring disabled only means a smaller pension and more bills.

(1) You (the government) supplement workers on strike, they have a job, so food stamps; we disabled who can't work, no food stamps.

(2) The government supplements those on relief that can work by paying their rent etc. We disabled keep paying taxes, mostly property taxes, but they keep going higher each year.

(3) The government, you educate & find jobs for the healthy on relief, we are disabled & can't, thus forgotten again.

Need I go on, you know of all the help that is given out to all classes of people but again the disabled forgotten.

I tried for years to get the disabled on medicare. In my 65 year they finally passed the bill that was first brought up in May 26 1966 by Rep. John Hansen of the 7th district of Iowa. Bill H.R. 15185. The bill died in limbo. Hansen was defeated that year. The bill finally passed. Thank God, people that needed it can use it now. Now I am trying for help for the disabled. So I am asking you to put this matter one of the first on your agenda. Not all the disabled can't work tis true but the Doctor does know, & a statement from him can tell.

DERBIE WHISLER, CAROL HOOPES, MRS. ROY DEAVILA, MRS. FITZGERALD, EUGENIA BROWNING, RUTH BELLEGANTE, TERRI WILLSON, POCATELLO, IDAHO; AND KELLY B. COBIO, RIVERVIEW, IDAHO

DEAR SIR: Not too long ago I heard about some trouble that a local lady had with the Social Security offices in this area. It seems that due to a "computer error" she was listed as deceased, and was not able to receive her pension for several months. Luckily, she had family and friends who were able to help her until the matter was straightened out. Two things about this story prompted me to write. First, this lady had to appeal to State leaders for help; secondly, she was treated rudely by the Social Security personnel.

We are all taxpayers and voters. I, for one, don't mind paying taxes so much as long as I know that the money is being used properly, to help those it was intended to help. Situations like the one mentioned above show us that we need something done within the system to solve these kinds of problems. Naturally errors are bound to happen sometimes, but why should innocent people have to suffer for an error made by an agency computer or a person in the office?

Perhaps we need some changes in the system, perhaps some kind of allowance to cover these kinds of emergencies. It's imperative that action be taken now, because I, for one, don't look forward to the same thing forty years from now.

MARK WARNER, BOISE, IDAHO; MIKE BULLOCK, SALMON, IDAHO; CATHIE GALL, DIANE SIMISON, LORRAINE MECHAM, LINDA WIGGINS, LATISHA WATSON, LUCILLE PIERCE, IMARETTA F. REYNOLDS, POCA TELLO, IDAHO

DEAR SIR: I recently read in the papers about a Mrs. Blenda Jenkins, who got into trouble with the Social Security System, and received no money for several months. Eventually, with the aid of some family members and friends, Mrs. Jenkins was able to get help. In spite of the lucky ending of this story, perhaps not everyone in this country is so fortunate.

We need some help in seeing that this sort of thing won't happen again. The answer is not in an impersonal computer, but in the Social Security System. We need someone to turn to for aid in case of an emergency, and people who are able to help us until the situation can be remedied.

We need to find solutions to these problems now, because sooner or later each of us will be too old or sick to work and will need to depend on others for our living. If we finish the job begun by Mrs. Jenkins, maybe we won't have to face it when we are too old to help it.

RUTH P. HUDSON, IDAHO FALLS, IDAHO

Re: Leona P. Owen.

Due to a computer error, we were told by the Idaho Falls Social Security Office, the above-named person received no checks until after I contacted Senator Frank Church. Letters of which he will have on file are in his office, both in Pocatello and Washington, D.C.

Leona Owen at this date is receiving her checks with two addresses, addressed to L. Owen and with the wrong social security number. This leaves one "holding his breath" waiting for them to stop altogether again.

I wonder if the employees of our Government were faced with such a situation—the ones who are responsible for these errors—would they get on the ball and get this whole mess straightened out. I'll bet they would if their livelihood depended on it.



FUTURE DIRECTIONS IN SOCIAL SECURITY

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HEARINGS
BEFORE THE
SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE
NINETY-THIRD CONGRESS
SECOND SESSION

PART 7—WASHINGTON, D.C.

JULY 15, 1974

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- Part 2. Washington, D.C., January 22, 1973.
- Part 3. Washington, D.C., January 23, 1973.
- Part 4. Washington, D.C., July 25, 1973.
- Part 5. Washington, D.C., July 26, 1973.
- Part 6. Twin Falls, Idaho, May 16, 1974.
- Part 7. Washington, D.C., July 15, 1974.
- Part 8. Washington, D.C., July 16, 1974.

(Additional hearings anticipated but not scheduled at time of this printing)

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FUTURE DIRECTIONS IN SOCIAL SECURITY

MONDAY, JULY 15, 1974

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room 1318, Dirksen Senate Office Building, Hon. Frank Church, chairman, presiding.

Present: Senators Church, Fong, and Brock.

Also present: David A. Affeldt, chief counsel; Val J. Halamandaris, associate counsel; Deborah Kilmer, professional staff member; John Guy Miller, minority staff director; Robert M. M. Seto, minority counsel; Margaret Fayé, minority staff member; Gerald Strickler, printing assistant; Dorothy McCamman and Herman Brotman, consultants; and Yvonne McCoy and Joan Merrigan, clerks.

OPENING STATEMENT BY SENATOR FRANK CHURCH, CHAIRMAN

Senator CHURCH. The hearing will please come to order.

To continue its hearings on "Future Directions in Social Security," the Committee on Aging will for the next 2 days focus on the new Supplemental Security Income (SSI) program.

SSI, as it is commonly called, is a federally administered program operated through the Social Security Administration. And believe me, it has been a big responsibility. Names of all those who had been on the old-age assistance, blind, and disabled rolls under State welfare programs have been transferred to the computer system in Baltimore. Efforts to make certain that the gold-colored checks are actually received by the eligible beneficiary have been intense and many overtime hours have been logged by Social Security personnel in Baltimore and in district offices all over the country. I would like to extend my personal thanks to these people for their outstanding endeavors. The reputation for service attributed to the Social Security Administration over the years continues to grow.

When Congress enacted the SSI program in 1972, it created for the first time a "guaranteed income" or national floor level for those aged, blind, and disabled in this country. For some States this resulted in a noticeable increase in assistance levels, while in others it fell below prior standards. Built into the law was a mechanism which allowed a State to supplement the Federal benefit to a level equal to or greater than what had been the previous level of assistance. Therefore, a recipient was guaranteed to receive at least the amount of assistance he was receiving in December of 1973. But over the last few months I have observed that to guarantee an income to needy individuals is super-

ficial unless adjustments can be made to assure the individuals of sufficient assistance to combat inflation. I'm glad that the original levels of \$130 and \$195 have been raised to \$146 and \$219, effective this month, but SSI still does not meet everyday needs.

My concern was echoed by several witnesses at a hearing in Idaho. I was told by one witness that "the basic flaw of SSI lies in its ineffectiveness to provide purchasing power to the elderly consumer, since . . . inflation has eroded its intent."

BENEFITS EATEN AWAY BY INFLATION

I couldn't have agreed more with this comment. Over the years, many new programs have been adopted to meet the needs of the elderly. But, unfortunately, the benefits have been eaten away by the near unprecedented inflation during the past few years. For this reason, I have sponsored legislation which would install a cost-of-living adjustment mechanism in the SSI program, identical to the adjustor in the Social Security system.*

Another disturbing factor about this new program which became quite evident to me during our Idaho hearing is the low number of persons enrolled in the program, largely because of restrictive income and assets limitations. I was astonished to find that only 1 out of 10 of those persons reached in my home State were found to be eligible for the program. Because of such limited assets as insurance policies and lifetime savings, many individuals were found to be ineligible for a program of which they were in great need.

Many of the severely restrictive limitations of both the law and regulations governing this new program should be given careful study as to the degree of their restrictiveness and effectiveness in meeting the needs of those blind, disabled, and aged. A program designed to reduce poverty among our needy poor should have greater influence in serving those who qualify under its standards. I supported the SSI program from the start because I felt it was an improvement over the old-age assistance program which often failed on a State-by-State basis to bring the recipients above the poverty level standard of living.

Many elderly failed to utilize old-age assistance because they associated the program with welfare and refused to accept "charity." However, the elderly's trust and familiarity with the Social Security Administration is a major asset of SSI. Hopefully this will overcome the negative connotations of the prior assistance programs.

Even though the new program is administered by the Social Security Administration, I would like to again stress that it is separate and distinct from the social insurance program which has been supported by the payroll tax since its implementation. SSI is financed through general revenue and, as stressed by the Senate Finance Committee's report on SSI, there is no intent to "merge the Supplemental Security Income program with the existing Social Security program." SSI will remain fiscally separate from the Social Security program, as well as having separate applications, checks, and requirements. There has been some misunderstanding and concern that the two may be fused together fiscally. I would like to emphasize that I personally do not want those who have contributed during their working years to their own Social Security benefits to fear that they will be "supporting" those who might qualify for the SSI benefits. The fun-

*Enacted into law as P.L. 93-368, August 7, 1974.

damental focus and standards of the Social Security system have not been disrupted by the placement of the SSI program in the agency administering Social Security. Several Social Security officials in Idaho have emphasized that the SSI program should be fiscally separate from the present Social Security Administration. I am in full agreement with this position.

Another priority request is to provide the Social Security Administration with sufficient staff to meet their added responsibilities. I have heard numerous reports about Social Security employees who must work late hours and weekends to keep up with their increased workload. This disturbs me because such hectic work conditions can seriously impair the efficiency in processing SSI applications. I plan to explore with the administration the effects and needs for additional staff. By all standards, the Social Security Administration—given such demanding new responsibilities—should be given sufficient manpower and funds to meet their needs. It would be damaging to both programs, SSI and social security, to refuse the agency such a reasonable requirement.

As a new program, SSI has already encountered administrative and other problems. During our hearings we will look at some of these problems and hear from knowledgeable witnesses about many of the good and bad points of the program.

Senator Edward Brooke, a member of this committee, could not attend today's hearing because of a previous commitment. However, he has submitted a statement for the record, and, without objection, it will be inserted now.

STATEMENT OF SENATOR EDWARD W. BROOKE

I am pleased to submit this statement to this distinguished committee, to discuss the new Supplemental Security Income program—SSI.

It has been 8 months since the SSI program went into effect. During this period we have been able to observe many positive aspects as well as many deficiencies in the program. I feel that now is an appropriate time to sit back and objectively view the program and most importantly to propose ways of dealing with the problems that have been identified.

It was anticipated that SSI would be a giant step toward improving our systems of aiding the poor. The SSI program created a "guaranteed income" or national floor level for the aged, blind, and disabled—\$146 per month for an individual and \$219 per month for a couple. Previously, the States set their own minimum which resulted in wide variations among the States. Because income limitations as well as various other eligibility rules are more liberal under SSI than they were under the former programs, many more people are eligible for SSI and will have higher benefits under SSI than under the old public assistance programs. The Social Security Administration has estimated that by the end of fiscal year 1975, 5.6 million SSI recipients will be on the rolls. This is approximately 2.6 million more people than were on the State public assistance rolls in December 1973.

In October 1973, the average old age assistance payment was \$78.65 per month; the average aid to the blind payment was \$112.37 per

month; and the average monthly disability payment was \$111.03. During January 1974, the average Federal SSI payment awarded to all SSI beneficiaries was \$88.01. Federal payments to the blind and disabled were substantially higher than those to the aged, with national averages of \$105.04 per month for the blind, and \$106.05 per month for the disabled, as compared with \$75.54 for the aged. These amounts reflect the maximum payment level in effect when the first checks went out in January. Since that time the benefits have been increased twice. It should also be noted that the States were required to make supplementary payments to all December 1973 recipients who received higher payments under the old State administered program, in order to prevent a reduction in income under SSI.

In 26 States, Federal payments to the aged and the blind are higher than the previous OAA and AB payments. The same is true for payments to the disabled in 29 States.

34 STATES PROVIDE OPTIONAL SUPPLEMENTARY PAYMENT

In addition, 34 States are currently providing an optional supplementary payment. The average amount of federally administered State supplementation for all persons receiving such payments was \$70.93 in January. With three exceptions (all in payments to the blind) the average combined Federal and State payments nationwide under SSI are higher than those under the former programs.

This is encouraging news, but unfortunately we find that we cannot be satisfied yet.

On an immediate level many, many SSI recipients suffered when benefit programs were switched to a Federal program.

There was much confusion and too many instances of delayed and late benefit payments. These absent checks were especially tragic because the old and disabled often have no other sources of income. SSI recipients must not be made to suffer further because of bureaucratic delays or computer mistakes. I am cosponsoring S. 3649, the Social Security and SSI Recipients Fairness Act of 1974. This bill provides for the speedy replacements of lost, stolen, or delayed benefit checks and for the reform of the disability insurance appeals process. S. 3649 would provide for the replacement of any check delayed or lost for 72 hours within 24 hours. S. 3649 also provides that any disability appeal more than 110 days old through administrative, not recipient's, failure would be eligible for payment beginning on the 111th day and lasting until the appeal had been acted upon.

But we must look beyond simply correcting present bureaucratic difficulties. Skyrocketing inflation has had an extremely deleterious effect on the elderly. While we may be pleased that most elderly, blind, and disabled are better off now than they were last year, we cannot be pleased that the SSI income levels are below the poverty income levels. SSI benefits should certainly be raised above the poverty threshold. One way to start dealing with this problem is to immediately raise the benefit levels by more than the cost of living and then in the future

to provide automatic cost-of-living increases. I urge immediate enactment of such legislation.

Another very distressing factor about SSI is the low number of people who have come on the SSI rolls since January. In June 1974, 3,583,894 persons were on the rolls. Three million of these people were converted from the State rolls on January 1, 1974. According to the Social Security Administration there are approximately 7 million eligible persons. I believe that some effective means of making potential recipients aware of these benefits must be instituted immediately.

MANY SSI RECIPIENTS RECEIVE LESS INCOME

Another area that has caused significant problems is the calculation of countable income for persons residing in institutions. Under current procedures, the value of support and maintenance in an institution is considered to be unearned income to the individual unless he is paying for it. As a result, numerous SSI recipients now receive less income than before SSI went into effect. In addition, this interpretation has seriously impaired the ability of nonprofit retirement institutions to provide good medical care for needy individuals. I recommend that legislation be enacted which would require that the value of support and maintenance furnished an individual by a nonprofit retirement home be excluded as income for determining eligibility for SSI.

As a result of the enactment of Public Law 93-335, enacted July 8, 1974, SSI recipients in all but five States, including my own State of Massachusetts, are eligible for food stamps until July 1, 1975. At that time, the current provisions of Public Law 93-335 expire and only a portion of the SSI population will be eligible for food stamps. I hope that by the time July 1, 1975, arrives, we will have carefully studied the relationship of the food stamp program to the SSI program and will have come up with an equitable solution.

I am certain that there are many other problem areas in the SSI program. Some of these I have heard about from my constituents, others I will hear about for the first time from some of the able witnesses appearing before this committee. All of these problems are significant. I trust that this committee will carefully study these areas and will recommend corrective legislation.

Senator CHURCH. We will begin today by hearing from a panel of administration witnesses who have responsibility for the implementation of the SSI program and many of its related services.

I would especially like to commend Commissioner Cardwell for his endeavor on behalf of this new program. He has been appointed to his present position in the last year. With the implementation of SSI, you have had considerable influence in directing the program. You are to be complimented for your dedicated efforts. I look forward to your testimony and that of the other administration representatives.

We will begin this morning by hearing from Commissioner Cardwell, and, Commissioner, you might identify your associates on the panel for the record. Each and all of you, we want to give you a cordial welcome.

STATEMENT OF HON. JAMES B. CARDWELL, COMMISSIONER, SOCIAL SECURITY ADMINISTRATION; ACCOMPANIED BY KEITH WEIKEL, SOCIAL AND REHABILITATION SERVICE; JOHN C. YOUNG, COMMISSIONER, COMMUNITY SERVICES ADMINISTRATION, SRS; HON. ARTHUR S. FLEMMING, COMMISSIONER, ADMINISTRATION ON AGING; AND JAMES SPRINGFIELD, DEPUTY ADMINISTRATOR, FOOD AND NUTRITION SERVICE, DEPARTMENT OF AGRICULTURE

Mr. CARDWELL. Thank you, Mr. Chairman. To my far left is Keith Weikel, who is representing the Social and Rehabilitation Service, to back up my testimony and to talk about interchange between Medicaid and SSI.

To my immediate left is John C. Young, who is the Commissioner of the Community Services Administration, again within the Social and Rehabilitation Service, and he is prepared to back me up when we talk about interchange with social services.

To my immediate right is someone well known to this committee, Dr. Arthur Flemming, Commissioner, Administration on Aging, and to his right is James Springfield, who is Deputy Administrator of the Food and Nutrition Service of the Department of Agriculture, and he is prepared to discuss, to the extent the committee wishes to discuss, the subject of food stamps and SSI.

If you will, I have a prepared statement—it will take about 30 minutes to read. With your indulgence, I will propose to do that.

I would start out by saying though that I think your own statement provides a good background, a good backdrop for the discussion that we would like to entertain this morning.

I want to thank the committee for the opportunity to be here today to talk to you about the Supplemental Security Income program. I know that the members of this committee, as well as the other members of the Congress, are particularly concerned and interested in our progress and the problems we have encountered in SSI after the first 6 months of operations. We have made progress—and we have encountered our share of problems, as might be expected in this initial Federal venture aimed at providing a minimum level of income for the aged, blind, and disabled.

FEDERAL AND STATE PAYMENTS TOTAL \$385 MILLION

A few weeks ago, on July 1, Federal SSI checks were delivered to just over 3.5 million persons. This figure includes about 650,000 newly eligible recipients, as well as the nearly 3 million persons still eligible from among those converted from the State rolls on January 1, 1974. In terms of money, the July payments total some \$385 million in Federal and State funds.

In the first 6 months of the program, our district offices received $1\frac{1}{2}$ million new claims. One million have been fully processed, resulting in payment awards in about two-thirds of the cases and a finding of ineligibility in about one-third. New claims continue to be filed at the rate of over 150,000 per month. Of the half-million cases in process, the majority are disability cases that require medical determination and review in State agencies.

This is where we stand now. Is it where we should be? Where are we going from here? What problems have we encountered, and what problems remain to be solved? These are the questions which, with your permission, I would like to focus on in my testimony today.

In order to answer those questions in an understandable manner, I think it's necessary to provide a brief indication of how the Supplemental Security Income program has evolved since its enactment in October 1972, and what has happened since Federal administration of the program began on January 1, 1974.

Philosophically, SSI started out as a simple, straightforward concept. It was conceived as a more efficient and uniform substitute for the State and locally administered programs of aid to the aged, blind, and disabled, many of which were based on variable, complex and somewhat subjective determinations of what each particular individual's financial needs might be, tampered by willingness or ability to pay for these needs. The concept of the new Federal program was to create a nationally uniform flat grant system which employed simplified, objective tests of eligibility, income, resources, and living arrangements.

From the beginning, the States, at their option, could supplement the Federal minimum income level to take into account higher local costs and particular individualized needs that they wished to recognize. If they chose to have the Federal Government administer their optional supplements, they were, subject to certain limitations, protected from having to spend more than they did under the previous State-administered program.

Senator CHURCH. At this point, may I inquire as to how many States had been making payments of a higher level than those authorized under the SSI program? Of those States, how many avail themselves of the option?

Mr. CARDWELL. About five.

Senator CHURCH. And how many did not?

Mr. CARDWELL. About 14.

Senator CHURCH. So that in those 14 States, the recipients under SSI are now actually receiving less?

Mr. CARDWELL. Oh, no, sir; I misunderstood your question. I thought your question had to do with those States that had benefited from the hold-harmless provision under which they were protected against increased benefit costs because of increased caseloads. I thought that was the question.

HALF OF STATES PAYING AT HIGHER LEVELS

In terms of States that are paying an aggregate level higher than the Federal minimum, I would say about half the States are paying at levels higher than the Federal minimum.

Senator CHURCH. Those that are paying higher than the Federal minimum, how many did avail themselves of the option of supplementing the payment, the Federal payment?

Mr. CARDWELL. Nineteen.

Senator CHURCH. Nineteen. Now, to get to my question, that would mean that there are how many States where SSI recipients were actually getting less than they had previously gotten—

MR. CARDWELL. There's no State where an individual would receive less than he received under the old program. There are a significant number of States where the payment level—

Senator CHURCH. Because of the same hold-harmless provision of the law?

MR. CARDWELL. And because of the minimum floor. The minimum floor had the effect of raising benefits for a number of States.

I would suggest at this point, in order to be sure that the data are correct, that we put in the record a summary of which States took advantage of the hold-harmless provision, the total number of States that supplemented an amount which together with the Federal benefit would have increased the payment level above the \$146 and the \$219, and the number of States in which people are being supported only to the Federal base level of \$146 and \$219.

Senator CHURCH. All right, would you submit all of that data, assuming you have the complete picture.*

Senator FONG. Mr. Cardwell, you say in July your payments were \$385 million in Federal and State funds. Now, how do you break that down?

MR. CARDWELL. It's about three-fourths Federal and one-fourth State.

Senator FONG. Three-fourths Federal would be the minimum paid? That's the Federal minimum?

MR. CARDWELL. Yes. It's the payment by the Federal Government on behalf of each of the recipients to raise them to the minimum level.

Senator FONG. So regardless of what State he is in, the Federal Government pays a certain amount, is that correct?

MR. CARDWELL. Yes, sir.

Senator FONG. That is the minimum?

MR. CARDWELL. Yes, sir.

Senator FONG. The States, they would supplement that over and above that?

MR. CARDWELL. Yes, sir.

Senator FONG. Up to \$385 million—three-fourths of that came from the Federal Government?

ANNUAL PROJECTED TOTAL OF \$4.6 BILLION

MR. CARDWELL. Yes, and that projected on an annual basis, that would total about \$4.6 billion a year, and we expect the total cost will go up as the number of beneficiaries goes up in the period ahead.

Just joining me at the table, gentlemen, is Sumner Whittier who is the Director of the Bureau of Supplemental Security Income of the Social Security Administration. He is charged with the general direction of the program from within SSA.

Senator FONG. You anticipate that the Federal payment will be \$4.6 billion?

MR. CARDWELL. No, sir, that would be the combined payment, projected on the basis of July's payments, which would be \$4.6 billion. At the end of this fiscal year we think the total payment in the aggregate will exceed \$5 billion, of which the Federal Government will be paying

*See appendix 1, p. 627.

something slightly under \$4 billion and the States, slightly over \$1 billion.

Senator FONG. When do you think you will level off?

Mr. CARDWELL. Well, that's been one of the most difficult questions for us to deal with. We started out, if the chairman will permit me to give you a little background about this matter of estimating SSI caseload—I think it is something this committee is interested in—the original estimate was drawn up almost 2 years ago, and it was drawn up from some very tenuous sort of data.

We had good census sources on persons by age, persons by age and income, but the data fail often in quality when we start counting the disabled and relating their income, and when we start trying to count disabled children. The latter have been very difficult to count, based on available information.

Then the matter of assets and other resources also is a complexity, but to make a long story short, an estimate was drawn up at that time and presented to the Congress while it was deliberating and formulating a program, which said there were about 7 million persons in the total population who would be eligible, considering at that time a \$130 individual level, and \$195 couple level, and the estimate also made included a participation rate adjustment, and it said that of that number, probably about 1 million, or 10 percent of the total, would not choose to participate even though they were eligible, partly because the difference would be a marginal difference to their benefit, and partly because they did not want to participate, due possibly, to the fear that some stigma may have carried over from the former welfare programs.

Anyway, the estimate then said there would be a net of 6.3 million people enrolled in the program, given the population as it existed then, the benefit level that was originally proposed, and the income and resource test as had been anticipated.

Three million of those people were already on the State rolls, so the estimate was that over 3 million new people would participate in the program.

As it has turned out, as I just reported, the 3 million persons on the State rolls turned out to be a good estimate, and that's the approximate number we converted, but so far we have only received claims for about 1½ million persons, whereas the original estimate said that by this time, we would have over 3 million new recipients.

PARTICIPATION RATE LOWER THAN ANTICIPATED

We have now revised our participation estimates down, and predict that during this fiscal year we will reach a level of about 5 million-plus participants, but ultimately, the assumption is we would still reach the 6 million-plus.

We have no basis for revising that estimate downward, even though the participation rate is much lower than anticipated.

Senator CHURCH. Let me just ask this question, in line with the Senator's inquiry. Would you anticipate, looking to the future, that with the improvements we have been making in the Social Security program and its enlarged base coverage, and improved benefits that are now being paid, that the number of the very poor who are presently or will

soon withdraw from the Supplemental Security Income program will decline over the years?

Mr. CARDWELL. Over the long term? I think the answer is "Yes." However, we have just recently made an update of the original SSI estimate. You remember, I said it started out with 7 million people in the aggregate.

Given the SSI benefit increases and taking into account social security cash benefit increases during the past 2-year period, there is actually a net increase in the number of SSI eligibles, with the universe moving up to about 7.2 million.

In other words, there would be a net increase of SSI eligibles of about 200,000 persons, but I think your assumption is correct on the long term.

Senator CHURCH. Thank you.

Mr. CARDWELL. With your permission then, I will proceed with my statement. I know the members of the committee are familiar with the details of the SSI program and recognize that I am simplifying to a degree. But, I think, only to a very limited degree.

As we began to better understand its ramifications, however, and as it was changed in its progress toward implementation, SSI came to be anything but simple.

Without going into any kind of elaborate detail, let me just list some of the legislative changes that were enacted in July and December of 1973—halfway through the implementation period and at the last moment before the program became effective:

The States were required to make supplementary payments to all December 1973 recipients who received higher payments under the old State-administered programs, in order to prevent a reduction in income under SSI.

SSI recipients transferred from State rolls who had received payments for "essential persons"—individuals in their home to help care for them—were entitled to increased Federal payment amounts.

SSI benefit levels were increased effective in January. In addition, a Social Security increase was made payable in April, and further SSI and Social Security benefit increases were enacted payable in July 1974. The Social Security increases are pertinent, because, under the law, a person entitled to both Social Security and SSI benefits has his Federal SSI benefit decreased if his Social Security benefit is increased.

PROVISIONS CHANGED FOR AUTOMATIC TRANSITION

Finally, while the original law had provided that persons on State aid to the disabled rolls in December 1973 would be automatically transferred to SSI, these provisions were changed to provide for automatic transition only if an individual had also been on the disabled rolls of the State in a month prior to July 1973.

In addition to, and in part because of these legislative changes, up until nearly the last moment the States were making decisions about the nature of the supplements they wished the Federal Government to administer. The States were faced with many critical decisions about how they wished to participate in a program that was changing and where costs and options were not fully known. Their participation required the enactment of State legislation, and, in some cases, their

legislative cycles were not in phase with the time schedules needed for orderly and coordinated implementation of the SSI program. This added another large element of complexity and uncertainty to the program at a very critical time.

In short, the program became increasingly complicated and was in a state of flux right up until—and, in fact, beyond—the date of implementation.

I don't wish to overdraw the effect of these legislative changes. While, as I have indicated, they greatly complicated the program—particularly since they occurred after we had developed our basic plans for its implementation—they represent only a part of the difficulties. Even without these changes, I think in all candor I must say that we underestimated the difficulties and problems of getting the program up and running smoothly. Given the time available to implement the program, some of these problems were unavoidable. In hindsight, others might have been dealt with more adeptly.

I would like to pause at this point though, and say, to add perspective to my prepared remarks, that I think the Social Security Administration and all those who worked on the program deserve a great deal of credit for what has been accomplished so far. The chairman certainly spoke of this in his remarks.

On the other hand, I want to be perfectly candid and open with this committee about the problems, but I would like to do the latter without in any way impugning the reputation of the agency, and I by all means want to give credit for what has happened so far in terms of everyone's participation.

The essential operational ingredients required to initiate the program on January 1 were to establish an electronic data processing system capable of maintaining and, as need be, making changes to the recipient rolls, to convert the public assistance records covering about 3 million recipients from some 1,350 State and local jurisdictions to this system, to establish a telecommunications system—the so-called SSADARS system—which would allow local SSA offices to query or make changes to the recipient rolls almost instantaneously, and, of course, to be able to use these devices to generate information which the Treasury Department could use to make accurate and timely payments to eligible recipients. These systems had to be capable of handling both Federal SSI benefits and federally administered State supplementary benefits. The basic systems were in place and operational on January 1, but there had not been time to thoroughly test them to correct the “bugs” that are inherent in any new systems of this scope, or to add the refinements which we would have liked to have had in them.

NEW EMPLOYEES IN FIELD OFFICES

At the same time, SSA had to be prepared to accept and process new claims both considerably before, as well as after, January 1, and to have in place the staff necessary to process the various postentitlement changes—ranging from a recipient's change of address to changes in resources, income, or other circumstances affecting basic eligibility or the benefit amount—which might occur after an SSI recipient was initially placed on the benefit rolls. To do this, we added approximately 15,000 people, of which two-thirds were in our field offices.

Senator CHURCH. Where is the other third?

Mr. CARDWELL. The other third would be centered in Baltimore, dealing with the processes of enumeration, assignment of Social Security numbers to both conversion cases and the new eligibles, programming and managing the data processing, and working with Treasury on the actual payment of the checks themselves.

Senator CHURCH. But isn't your system already set up and has that number been reduced?

Mr. CARDWELL. If I had to make a final statement on that at this very moment, I think my answer would probably be no, but I do think the ratio of headquarters to field staff would change and should change as the program settles down.

If anything, we have our greatest workload problems in the field, and if we do find that we will need additional staff for long term, that's where they will be assigned.

This is how we went into January. As might be expected, there were problems—some anticipated, some not. Our error rate in January, in terms of people who for one reason or another did not receive checks or received checks in seriously incorrect amounts, was about 5 or 6 percent. This was partly due to faulty data resulting from the conversion of State recipient rolls, and partly due to problems in our data system. Particularly in the large cities, some people who had been receiving a State public assistance check did not receive an SSI check.

Despite our concern and efforts, this situation did not improve rapidly. We were faced with the simultaneous problems of correcting the deficiencies in our systems, correcting erroneous conversion data, making the payment changes necessary to properly pay at increased SSI and Social Security benefit levels, and making necessary postentitlement changes.

Our primary efforts were directed toward making proper payments to persons converted from State public assistance rolls. It would be an overstatement to say that we have solved the problem. Over the past 6 months, however, I believe we have been steadily making progress in correcting the conversion base, and the situation will continue to improve.

LARGE BACKLOG OF UNPAID NEW CLAIMS

In the process of straightening out conversion problems, we recognized in April and May that a large backlog of unpaid new claims had built up. The backlog occurred partly because we concentrated on conversion base corrections, not leaving enough "running time" available in the computer systems for regular frequent processing of new claims. The more significant problem with new claims, however, had to do with the fact that several hundred thousand cases were processed at the local SSA district office level and presumed to be payable. However, when submitted for payment processing, these cases did not pass the built-in computer edit checks for a variety of complex reasons—for example, inaccurate information provided by the claimant, information incorrectly introduced into the system by staff at the district office level, and data processing problems centrally.

SSA is working diligently on both of the above major aspects. A special task force made up of skilled and dedicated people has been charged with the task of clearing up this backlog. The group has been

given authority to make changes in the payment process and resolve impediments on the spot.

We expect that, as a result of this action, the vast majority of backlogged new claims awaiting final action will be processed to a payment status within the next month. The most serious problem at this point is a stubborn core of disability claims which, because they often require extensive medical development, unavoidably require lengthy processing time.

Again, I would like to pause with your permission. Many who don't understand the process blame the computer for a lot of our troubles, but we all must realize that without the computer, we couldn't have done any of this, that we are absolutely dependent on mechanized, computerized systems for the execution of this program, and in this volume there is no other choice.

Our objective for the balance of this year is to arrive at final decisions on claims filed by the aged within 30 days. The system is designed to do better. Of course, for new applicants who need an immediate payment, there is a provision of law which enables us to pay a \$100 advance. In addition, our district offices have been instructed to authorize special month-to-month payments outside the regular payment system for the full amount due the person where the case is over 30 days old and the applicant is judged to be eligible.

I don't mean to imply by all of this that the SSI program is now running as we would like it to, smoothly, rapidly, and without problems. It is not. While we're well on our way to "shaking it down" and getting the bugs out of the system, eliminating the backlogs and making proper payments, on time, to everyone who is entitled, it's likely to be a number of months before it is running smoothly.

We've only just begun on some of the big jobs that lie ahead, such as "redetermination" to assure the continuing eligibility and proper payment of those persons who were converted from the State rolls. And there remain a number of problems and issues that have yet to be fully resolved. Some of these can be handled through administrative changes: others, we believe, will require enactment of legislation. Let me touch upon some of the major ones.

REPLACING LOST AND STOLEN CHECKS

One of the serious problems that has concerned us has been the time-consuming procedure for replacing lost or stolen checks. Under normal procedure, when SSI received notice that a check was not received, the local Social Security office would determine whether a check had been issued by making a direct and immediate query of the SSI master computer record. Investigation by the Treasury Department then was required to determine whether a check that had been issued had been negotiated. If the check had not been negotiated, a stop-payment was placed against it. If the check had been negotiated, but the intended recipient or anyone he knew had not endorsed the check, a substitute check was issued by the Treasury Department. These procedures often required several weeks or more. Considering the circumstances of the people affected, this was clearly an unacceptable long delay.

We have now worked out with the Treasury Department a procedure for the expeditious replacement of lost and stolen checks which

is expected to be implemented for the August payment. I want to mention that the Treasury Department has been extremely helpful and cooperative from the beginning.

The law recognizes that income to an individual can be in the form of "in-kind" support and maintenance—that is, room, board, and goods rather than money—and requires that in-kind income be counted. No value is ascribed, however, to services such as medical and social services that cannot be considered income for basic support and maintenance.

The problem that we are working to resolve by a change in operating policies relates to in-kind support and maintenance furnished by certain private residence facilities. Under current operating policy the value of support and maintenance (defined as room and board) in an institution or residence facility is considered to be unearned income to the individual unless he is paying for it out of other income or out of resources that he has.

Although this policy of counting in-kind support and maintenance as income furnished by an institution is consistent with a strict interpretation of how an income maintenance program should work, we recognize that our application of the definition of in-kind income to certain subsidies from institutions has proved to have more severe results than were foreseen. Some States contend that this has created a situation in which some individuals living in private residence facilities could be forced to leave. We are therefore making an intensive review of the problem and we hope very soon to have a solution that can be implemented within the provisions of the existing law.

Other problems, however, require a legislative remedy. One major difficulty which occurred in the early months of program operation has already been eliminated through prompt action on the part of the Congress. I am referring here to the problem of identifying and performing disability determinations for those individuals who had been added to State disability rolls in July 1973 or later.

EMERGENCY LEGISLATION ENACTED

As you will recall, legislation enacted late in 1973 prohibited these individuals from being automatically transferred to the SSI program. They were eligible only if they met the regular SSI standards applicable to new claimants. In order to prevent several hundred thousand persons from having their payments cut off simply because their eligibility status was in doubt, the Congress enacted emergency legislation allowing us to pay benefits to them until a positive determination of their eligibility or ineligibility could be made. At this time, disability determinations have been completed for about half of those persons identified as having first come on State rolls in July–December 1973.

The Congress is now considering legislative remedies to two other SSI problems. If enacted, they would authorize reimbursement of the States for interim assistance provided to SSI applicants, and would provide automatic cost-of-living adjustments to SSI benefit levels.

Many States or localities are making payments of a general assistance type to people who have applied for SSI but have not received SSI payments because an eligibility determination has not yet been

made. This situation is most likely to occur in a case in which a disability determination is necessary.

If, after these interim payments have been made to an individual, he is determined to be entitled to SSI benefits, the States would like SSA to pay them back for their interim payments out of the retroactive SSI benefits due the recipient. This would provide the recipient with all benefits due him while at the same time guaranteeing that the States get their money back. We are prohibited, however, from diverting the benefits from the recipient to his creditor—in this case the State—by a provision of the law prohibiting the assignment of a person's benefits to another.

SSA worked with the American Public Welfare Association to develop a legislative proposal. It would permit us to enter into agreements with States whereby we may, upon an SSI applicant's written authorization, repay a State directly for interim assistance payments advanced to the SSI applicant during the period in which his eligibility under SSI was being determined. As the committee is aware, a provision based upon the one that we developed in conjunction with the American Public Welfare Association has already passed the Senate, first as an amendment to the Renegotiation Act extension bill and, when dropped from that bill, as an amendment to H.R. 8217 (a bill involving import duties), on which final action is pending. The Department will be working with the conferees on that bill to obtain suitable legislation.

An essential step in assuring benefit adequacy in the SSI program, of course, is providing a mechanism for maintaining that adequacy as the cost of living increases.

COST-OF-LIVING ADJUSTMENT PROPOSED

As this committee I'm sure knows, the President, in his fiscal year 1975 budget message in February, announced the administration's intention to propose legislation to provide for cost-of-living adjustments in SSI benefits. In May of this year a legislative proposal to accomplish this objective was formally submitted to the Congress for its consideration.

The administration's proposal would establish in SSI a cost-of-living adjustment mechanism similar to and coordinated with the automatic cost-of-living provisions already in the law for the Social Security cash benefits program; that is, SSI benefit levels would be automatically increased in the future to reflect increases in the Consumer Price Index.

Under the administration's approach to guaranteeing the purchasing power of SSI benefits, the amount of the automatic increase would generally be based on the percentage increase in the monthly average of the Consumer Price Index as measured from the first quarter of 1 year through the first quarter of the following year, with the increase in benefit levels effective with July. The first such increase under the administration's proposal could occur in July 1975, which is the earliest month in which a Social Security automatic benefit increase could be paid. This proposal would resolve, in part, what has been a perennial issue that arises whenever Social Security benefits are increased—namely the problem of decreases in benefits under one program to offset increased benefits under another program.

Without increases in SSI levels when Social Security benefits rise, that is what would happen in the Federal program of SSI just as it did in the former Federal-State assistance programs. Just as important as the fact that when people receive increased Social Security benefits they expect to be better off is the fact that when the cost of living goes up it goes up for all SSI recipients, whether they are Social Security beneficiaries or not.

Even with a Federal SSI cost-of-living adjustment, there remains a problem in those States that supplement the Federal SSI payments. Where State governments supplement voluntarily, they set their levels at amounts above the Federal levels that they think are appropriate within their respective States. If Federal SSI benefit levels are increased, States have the option of passing the increase along by continuing to pay the same supplements on top of the higher Federal levels, or of cutting back their payments by the amount of the Federal increase.

Some view it as a Federal responsibility to make States pass the Federal increase on through the State supplements and to help finance their increased cost of doing so.

STATES URGED TO MAKE DECISIONS

Although we believe that the State share of benefits should be kept up to date with rising costs, we also believe that the States themselves should make the decision to do this. The problems and changes I have just discussed do not, of course, represent a complete inventory of the issues yet remaining in SSI. What I have attempted to do is to highlight most of the major concerns about the program that we have at this time. There will undoubtedly be additional changes or corrections requiring administrative or legislative action which we will identify as we gain more experience with the SSI program. To the extent that further desirable legislative changes are identified over the coming months, we will take action to propose appropriate remedial legislation early in the next session of the Congress.

I should mention at this point an area that needs further study. This concerns the definition of disability in the SSI program. Much of the general public and many State officials seem to believe that the Social Security Administration has, in its own discretion, established criteria and operating policies for determining disability in order to adhere to those established for the Social Security disability insurance program.

The fact is that the law gives us no choice in the matter. We recognize that our definition is more restrictive than definitions as they evolved in many of the former State programs—especially in that they often covered short-term disabilities, while under SSI, disability must be expected to last for at least a year. An evaluation of this problem is underway.

Finally, I would like to briefly summarize the outreach efforts we have made to reach those potential SSI eligibles whom we believe are somewhere out there, but who have not applied. These people are of concern to both us and you. It has, of course, been projected that the SSI program, with its new approach to income maintenance for the aged, blind, and disabled, and its higher levels of benefits than those previously in effect in over half the States, would cover a significantly

larger number of the aged, blind, and disabled than were transferred into SSI from the former Federal-State programs.

There were just over 3 million brought into SSI from the old programs, but we project that about 5.1 million will be receiving Federal SSI benefits by the end of June 1975—less than a year away. However, to date, the new claims caseload originally predicted and anticipated for the SSI program has not materialized.

Thus, we have, from the beginning, made efforts to reach potential eligibles and inform them about the new program. These efforts began long before the January 1 starting date for SSI.

Informational leaflets were distributed, and radio and television announcements were made. We worked very closely with State and county welfare departments and with local and national organizations interested in the aged, blind, and disabled so that they could inform their constituencies.

PROJECT SSI-ALERT STARTED

As the starting date approached, outreach efforts were intensified, and a campaign called SSI-Alert was begun under the sponsorship of Commissioner Arthur Flemming and his Administration on Aging. Commissioner Flemming will present you with the details of what we now refer to as "phase 1" of SSI-Alert.

Now we have gone to "phase 2" of Project SSI-Alert. This represents a continuing effort on our part to locate potential eligibles for SSI and provide them with the opportunity to apply for benefits. Phase 1 was directed toward everyone in a community, using a large number of volunteers including church organizations, local community groups, and so forth, in neighborhood canvassing efforts; the new phase uses a direct mailing system to contact 5.2 million individuals whose Social Security benefits are low enough to indicate possible eligibility for SSI payments. It should be kept in mind that these are leads to help us find who among the 5.2 million might be eligible. The vast majority will not be eligible because they have other income or resources. Some who are found to be eligible will receive only a few dollars of SSI because of their other income.

These leads are now in the hands of the local Social Security offices corresponding with the addresses of the people identified. Since this extra effort will have a tremendous workload impact on already heavily burdened local Social Security offices, 4,000 temporary employees are being employed to process the leads. They will do the necessary clerical work and make telephone and/or personal contacts with the potential eligibles when necessary.

Those prospects who return the lead questionnaire will be contacted and provided with necessary assistance to apply for SSI benefits.

Social Security offices have received their allocations for temporary employees and are presently in the process of recruitment and are working with volunteers to accomplish the project. We hope to have this phase of our SSI outreach efforts completed by September 30, 1974.

Before concluding, let me mention that we are very much aware of and concerned with the interrelationship between SSI and other programs of assistance to the needy. In the interest of brevity in my open-

ing remarks, I would propose not to go into a detailed discussion of these relationships. Rather, with your permission, I would like to submit for the record brief statements on the interaction between SSI and Medicaid and social services.

Keith Weikel, Acting Commissioner of the Medical Services Administration, and Jack Young, Commissioner of the Community Services Administration, are here to answer any specific inquiries that you may have in these areas. The Department of Agriculture is represented here today, and is prepared to address the subject of food stamps.

I don't want to leave this subject, however, without commenting that during the past year we have put a lot of effort into working out linkages between local Social Security offices and State and local welfare service agencies so that proper referrals can be made and people needing services will have easy access to them.

NOTEWORTHY ACCOMPLISHMENTS IN SSI PROGRAM

Again, I appreciate the committee's giving me this opportunity to air some of our views on the SSI program. We will also, of course, be greatly interested in what others testifying here have to say. As I'm sure you all already knew, and as I hope my statement has made clear, our performance in these first 6 months of the new program's operation has been sort of a mixed bag. While certainly not always deserving of rave reviews, I feel strongly that it has also been marked by some definite pluses and noteworthy accomplishments.

I'd like to close by just listing these accomplishments, problems solved, and remaining problems.

Accomplished to date (or soon): The conversion of over 3 million welfare recipients from the rolls of about 1,350 separate and distinct State or local jurisdictions; the cleaning up and correcting of the data base; the sharp reduction of the backlogs of unpaid claims in process and the continuing improvement in processing times, numbers of applicants receiving prompt decisions, and numbers of approved claims receiving checks quickly; the improvement, increasing reliability, responsiveness and sophistication of our automated data systems.

Problems solved or near solution (with the prompt and concerned cooperation of the Congress): Disability rollback; replacement of lost or missing checks; reimbursement to the States for interim assistance provided SSI recipients who are awaiting decisions on their claims—or payment of approved claims; and automatic cost-of-living increases in benefit amounts.

The remaining problems include some of a basic nature, such as the treatment of in-kind income, mentioned earlier; the need to further improve our performance in reducing processing times and quickly getting checks into the hands of entitled individuals; and perhaps as important as any, the need for continuing vigilance on our part to: (1) Comply with due process requirements of law in all of our dealings with SSI applicants and beneficiaries, (2) protect confidentiality and respect the right to privacy, and (3) help maintain, above all, the SSI applicant's dignity and self-respect.

Keeping all the foregoing in mind, I agree that this is an opportune time to stop and look at what has happened and where we are going.

However, in my opinion, it is too soon to attempt an evaluation of the new program and its operation.

As we identify changes that seem necessary to make the program work, we will, of course, immediately bring them to the attention of the Congress.

I am confident that when the next occasion arises for my reporting to you on the progress and status of the SSI program, you will hear a more uniformly positive recitation of accomplishment and smoothly efficient performance of our mission in serving the needs of the Nation's poor aged, disabled, and blind.

I thank you, Mr. Chairman.

Senator CHURCH. Thank you very much, Commissioner.

I understand that other members of the panel will be available for responding to questions, but not to make a presentation, is that correct?

Mr. CARDWELL. Yes. Commissioner Flemming is prepared to review in summary form the SSI-Alert program, if you wish him to do so, or we could exchange questions and answers on it, however you would wish to proceed.

Senator CHURCH. Well, I have great respect for Commissioner Flemming, and I would abide by his own judgment in that matter.

Commissioner FLEMMING. Mr. Chairman, I have just a brief statement which I might introduce at that time, and which might constitute a basis for further discussion, if that's agreeable to you.

Senator CHURCH. It will be fine with us.

Mr. Fong, will that be agreeable to you?

Senator FONG. Yes.

STATEMENT OF HON. ARTHUR S. FLEMMING, COMMISSIONER, ADMINISTRATION ON AGING

Commissioner FLEMMING. I appreciate very much having the opportunity of discussing SSI-Alert with the members of this committee.

The objective of the program is to do everything possible to provide the aged, blind, and disabled who are eligible for the Supplemental Security Income program with the opportunity of deciding whether or not they desire to participate in the program.

We also see SSI-Alert as an opportunity to develop a capability for additional outreach programs at the Federal, State, and local levels, which can help to build bridges between older persons and available resources and services.

Public and private organizations have worked together in a significant manner in an effort to achieve the objective of the SSI-Alert program.

The national organizations of older persons designated one of their members to serve on a consortium in each of the areas served by the Social Security district offices.

The members of the consortia were asked to assist in the selection of a project director, in the recruitment of volunteers, and in the development and conduct of the program.

The consortia were organized in the belief that the participation of a large number of older persons in the development of the local programs would contribute to their success.

RED CROSS CHAPTERS PARTICIPATE IN PROJECT SSI-Alert

The American National Red Cross, in response to a request by the Administration on Aging, decided that Red Cross chapters should be given the opportunity to participate in Project SSI-Alert by becoming the lead agencies in working with the consortia in the selection of a project director, in the recruitment and training of volunteers, and in the development and conduct of the program.

Local Red Cross chapters became the lead agencies in 412 out of the 631 Social Security district office areas.

Area agencies on aging became the lead agencies in 49 districts. Community Action agencies in 58 districts, and other community organizations in 112 districts.

State agencies on aging were designated as the statewide lead agencies for their respective States. They were authorized to recruit a staff person to provide overall leadership. They were authorized to approve budgets submitted by the lead agencies within the Social Security districts in their States up to the total amount set aside for each State. They were charged with the responsibility of selecting a lead agency for the Social Security districts within their States where the local Red Cross chapter decided not to participate.

The Social Security Administration related SSI-Alert to their ongoing Outreach program, developed and executed the information program, and provided the volunteers with technical training.

During the approximately 6 months that SSI-Alert has been in operation, tens of thousands of volunteers have participated with the largest number—namely, 55,775—being recorded in the first week of April.

Many methods have been employed by the consortia and the lead agencies to call the Supplemental Security Income program to the attention of potential eligibles—methods which have called for ingenuity, imagination, and resourcefulness.

There has been extensive use of all of the media. Other methods include contacting persons whose names appear on public records, direct mail contacting persons belonging to organizations of older persons, insertion of information in church bulletins and the publications of other organizations, obtaining names from and enlisting the help of persons in community organizations, addressing meetings where older persons were likely to be in attendance, flyers included with utility bills, flyers distributed to persons waiting in line to purchase gasoline, teachers sending SSI brochures home with students, information booths set up in shopping centers, and telephoning and door-to-door canvassing.

At this point in the SSI-Alert program, steps are being taken to provide volunteers with the names and addresses of persons who will have indicated their interest in learning more about the Supplemental Security Income program.

5.2 MILLION PERSONS ELIGIBLE FOR SSI

The Social Security Administration has identified 5.2 million persons from their master beneficiary records, who might be eligible for the Supplemental Security Income program.

A communication is being sent to these persons by the Social Security district offices informing them about the program and giving them two options, one of which is to request that someone contact them personally to discuss the program.

When requests for personal contacts are received, the manager of the Social Security district office will contact the lead agency of SSI-Alert so that the project director, working through the consortium, can determine how much of the workload can be handled by volunteers.

The lead agency within the Social Security district office will develop a budget consistent with the number of persons who have asked to be contacted and will submit it to the State agency on aging.

The State agency has been authorized to approve budgets for this purpose up to 50 percent of the amount utilized for phase 1 of project SSI-Alert.

Local Red Cross chapters are free to decide whether or not they desire to serve as lead agencies for this phase of SSI-Alert. If they do not, State agencies on aging will ordinarily designate the area agency on aging as the lead agency.

Commissioner Cardwell has provided you with information relative to the number of new applications for the Supplemental Security Income program that have been received and processed to date.

It is impossible to identify the number of these new applications that are attributable solely to Project SSI-Alert.

It is clear, however, that the total effort has produced results that have improved life for well over a million persons.

The new effort to be carried out through the Social Security Administration and SSI-Alert will reach many more.

When the Government persists in its efforts to locate those who are, for one reason or another, so isolated from life that they are unaware of resources that are available to them, it is helping to convey a very important message to the aged, blind, and disabled: namely, "We do care."

In addition the involvement in SSI-Alert of national organizations of older persons, of the national American Red Cross, of State agencies on aging, of Federal agencies and of tens of thousands of volunteers is providing us with a capability for outreach in the field of aging on the Federal, State, and local levels which will pay dividends for many years to come as far as the lives of older persons are concerned.

OBJECTIVE: COMPREHENSIVE SERVICES

During the past few months we have been installing, under the Older Americans Act, as amended, a new system designed to achieve the objective of providing coordinated and comprehensive services for older persons at the local level.

Likewise we have been installing a new nationwide nutrition program for older persons.

At the heart of the implementation of these new programs is our ability to conduct effective outreach programs.

By building on the foundation of the SSI-Alert program, State and area agencies on aging will be able to accelerate in a significant

manner the development of outreach programs that will find the older persons who are lost to society and will build bridges between them and available resources and services.

Mr. Chairman, I would like to say this—as you know—I have had the opportunity of working with the Social Security Administration over a considerable period of time, and I would certainly like to join with you in the comments that you've made relative to the way in which the Social Security Administration has tackled its job.

I've always had confidence in Social Security personnel and the way in which they have tackled this assignment has renewed my confidence. As I have worked with them on outreach, I am convinced of the fact that in those who are associated with the Social Security Administration we have a tremendous resource in the outreach area.

Senator CHURCH. Thank you very much, Commissioner Flemming. Now that you are in phase 2 of the SSI outreach program, can you tell us how long this phase 2 effort is scheduled to last?

Commissioner FLEMMING. Well, as Commissioner Cardwell has indicated, the thinking at the present moment is that this assignment should be cleared up or completed by September 30, and we are operating on that basis.

I'm sure that I speak for Commissioner Cardwell when I say that both of us will watch it carefully, and if it isn't actually completed by that time, we'll make some additional plans.

Senator CHURCH. Since phase 2 consists of checking out those beneficiaries whose income is sufficiently low under the Social Security program, to indicate a possible eligibility for SSI, you will have an objective basis for determining whether or not you have completed that effort.

Commissioner FLEMMING. That's right.

Senator CHURCH. But beyond that, you have no further plans, is that correct?

Commissioner FLEMMING. No further specific plans, but again, if after going through this process we still have a feeling that there are some who have not been reached, we will do our best to reach them. And at that time, Mr. Chairman, as far as the Administration on Aging is concerned, it will phase very naturally into the system that has been established under the Older Americans Act because as I indicated in my earlier comments, we are going to be working with at least 375 area agencies on aging during 1975.

These area agencies on aging will be a network for a continuous program of outreach. I'm sure you appreciate that we're just going to have to keep outreach, not only in relation to SSI, but in relation to other resources and services that society has made available to older persons.

MANY ISOLATED PEOPLE UNAWARE OF PROGRAMS

If you could look at some of the case histories that have come out of SSI-Alert, you would realize again that we do have many persons in our society who are so isolated that they're unaware not only of SSI, but unaware of many of the other resources and services that are available. So we'll be prepared to work along with the Social Security Administration as long as it is necessary to work, until we feel that we

have reached all of those isolated persons and told them the story, not only about SSI, but about the other resources and services that are available.

Mr. CARDWELL. Could I comment at that point, Mr. Chairman?

Senator CHURCH. Yes, certainly.

STATEMENT OF HON. JAMES B. CARDWELL—Continued

Mr. CARDWELL. I think there are two other things we might add, but before doing that, I would indicate that, as Commissioner Flemming has suggested, as far as long term continuing outreach is concerned with respect to the aged, we would look to the Administration on Aging to be in the forefront of that overall effort on a continuing basis. However, I would see ourselves as doing two special SSI-oriented outreach steps following phase 2, and I couldn't at this stage tell you exactly when and how we would do them.

We would need, using census samples and the like, we need to make another effort to be sure we have the right estimate of the universe, and we have got to continue to work on that. I'm not satisfied that we know the universe yet.

And I think the other thing that the sample would lend itself to would be the determination of an evaluation of the outreach effort itself. I'm trying to sample the population to see how many of them have heard of the SSI outreach effort, whether it meant anything to them, whether the approach interested them, and whether it encouraged them to come in, or discouraged them from coming into a Social Security office. We need to examine that.

Those are things that we will work on perhaps starting in the winter.

Commissioner FLEMMING. Mr. Chairman, if I could just give you one brief case history which shows the accumulated impact of these outreach efforts. This comes from the report submitted to us by the Red Cross, and it says:

Many people contacted in SSI-Alert had been known to the Red Cross chapter in project FIND, which was carried on a little over a year ago. One woman was remembered whose income was \$75 per month with no other assets. She never ate lunch, her reason being she was not hungry. After she received food stamps, she began eating lunch. She was assisted in applying for SSI, and when she received her first check, she was so happy because the check was the most money she had ever had at any one time in her life.

Now, that's just one case history, which I think does illustrate the cumulative impact of continuous outreach efforts.

Senator CHURCH. Thank you very much, Commissioner Flemming. I do concur with you that one of the most difficult problems we face in connection with any of these programs is making certain that the knowledge of them reaches people that oftentimes are terribly isolated from contact and what's going on.

Senator Tunney has asked me to put a couple of questions to you. I want to put his questions, together with a letter he has written to you, concerning the SSI program, into the record. The letter is dated July 12.

He's asked that a copy of the letter be included in the record.

[The letter follows:]

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Washington, D.C., July 12, 1974.

DEAR COMMISSIONER CARDWELL: I am writing to urge that you immediately institute an emergency plan that will ensure that Supplemental Security Income recipients receive their benefits on a regular basis.

Since the inception of the program in January, my offices in Washington and California have been beseiged by complaints from aged, blind and disabled persons—some facing eviction, some unable to buy food—that their checks are arriving weeks or months late, or not arriving at all.

In San Diego alone, the Director of the Social Security Office has said there are 880 aged, blind and disabled persons who are not receiving their checks on time. Some have never received their benefits.

These benefits are matters of right and of law for the recipients. With today's crushing inflation, many of them have been forced literally into a battle for survival because of the Social Security Administration's inefficiencies and its failure to systematize the SSI program.

This week, a woman called my San Diego office because she had not received her benefit check. She is 67, has a heart condition, she is penniless and totally without food.

In Los Angeles, a terminal cancer patient had not received a benefit check since April and called my office out of sheer desperation.

It took six calls from my office to the Social Security Office to obtain a forced payment for a couple who had been without benefits since April.

Recipients complain that they cannot get through the switchboards at local Social Security Offices and that when they appear in person, they are often given the bureaucratic shuffle.

I am sure you are aware, Mr. Commissioner, that thousands of elderly, blind and disabled Americans have been reduced to scrounging for food in garbage cans, to shoplifting from supermarkets, to eating dog food for survival.

It is of little solace to these people to hear explanations about computer misprogramming or other excuses by the Social Security Administration.

Simple decency and humanity demand that you immediately develop an emergency plan to systematize the SSI program and get benefit checks to recipients regularly and on time.

Deadlines must be set and met to process claims. Adequate counseling must be offered to both Social Security personnel and applicants and recipients to ensure that errors are not made when information is put on computers.

We are dealing, Mr. Commissioner, not only with the dignity of thousands of elderly, blind and disabled American citizens, but with their very survival.

I urge you to put the Social Security Administration on an around-the-clock basis if necessary to make the program effective and efficient. We cannot tolerate further delays.

I see no reason why a program in operation for more than six months cannot be made to operate satisfactorily by the end of July. I implore you to meet this deadline and urgently request that you outline steps you will take to meet it within one week.

Sincerely,

JOHN V. TUNNEY,
U.S. Senator.

Senator CHURCH. After I put these two questions of Senator Tunney to you, I want to turn to you, Senator Fong, for your questions, and then I will follow with my own.

Senator Tunney has asked me to pose these two questions to you on his behalf.

First, has the Social Security Administration given consideration to the possible use of an ombudsman to provide assistance in resolving claims, or perhaps provide information to applicants?

MISUNDERSTANDING OF HOW OFFICES ARE RUN

Mr. CARDWELL. Well, I think specifically and literally the answer would be no. I was told of that inquiry and haven't had a chance to examine it in my own mind thoroughly, but at this stage, as an interim

response, I would say that I think the question may suggest a misunderstanding of how the SSA district offices are run.

By and large, they are fairly small organizations. I would hope that each and every employee there would see, as his purpose in being there, the recognition of the needs and concern for the claimant. In other words, I don't think there's a need for a special advocate to be centered in each district office, of which there are over 1,100 by the way. I think the ombudsman idea itself, as I understand the question, is not really needed.

Senator CHURCH. But these volunteers that are working with the SSI-Alert program are really, in a sense, ombudsmen.

Mr. CARDWELL. Some are ombudsmen. In the Midwest, particularly, they have taken on that role, but I would say I think the problem that Senator Tunney is probably concerned about would, I hope, work itself out as we gain greater experience on reference and referral to other social service sources, and as we improve our own capacity to respond quickly.

I think the feeling that there needs to be a special advocate will eventually subside. At least, that would be my hope.

Senator CHURCH. Second, Senator Tunney sent you a letter that I have incorporated in the record. I don't know if you've had an opportunity yet—

Mr. CARDWELL. No.

Senator CHURCH. He wants to know whether anything has been done to improve upon the present telephone service to minimize the delays for Social Security beneficiaries or applicants.

Mr. CARDWELL. Well, this is very close to the question you recently asked us in a letter. The agency has, over recent years, been moving more and more toward use of what is called teleservice centers, where particularly in metropolitan regions, a single number would link the telephone inquiry into a central point, and that point would attempt to answer a question. If they couldn't answer it, they would refer the question to the district office for reply. We've been adding a number of teleservice centers fairly steadily each year.

We are having a particularly difficult problem in the Los Angeles area center. Our own monitoring of the centers suggest that people are not getting through—the number of calls exceeds the capacity, and we are at work on that. The broader question of the—

IRS INITIATES PHONE SERVICE

Senator CHURCH. May I just interrupt there. The center you described might very well be useful in a large metropolitan area, but in many parts of the country, in the rural areas of the country, in my own State for example, it's a big State—85,000 square miles—and the population is distributed rather evenly over the State. I don't know for sure, I think we have four Social Security offices in the State, four different districts, possibly five—I'd have to check to be sure—many people have traveled, some have to travel considerable distances to reach these district offices and many of them are on very limited incomes, and in order to telephone the office they have to pay long-distance rates oftentimes, and the Internal Revenue Service which has one district office in the State has attempted to rectify this by establishing a phone number which is available in the local directory throughout the State, and a person may call that number and reach the district

office without the need to pay long-distance rates, and thus establish telephonic communication with the municipal district office.

Would such an arrangement be feasible for Social Security, particularly in these rural States that will not have the benefit of your communication center?

Mr. CARDWELL. I think generally the answer to that should be yes. We've looked at the IRS arrangement, and we think we've been moving generally in the same direction.

We do not advertise or publicize the question of who pays the toll, and I am told, although I haven't examined it personally, that there are some legal restrictions that we would face there. We will examine those in response to your letter, but leaving that aside, we are now providing toll-free service to about 80 percent of the population we serve, and there needs to be a public policy decision as to whether it should be 100 percent.

There happens to be one claimant from the Midwest who calls my home toll free for some purposes.

I do think that we've got to, and I think that we are trying to, facilitate access to Social Security through the use of the telephone. We've concentrated first in the metropolitan areas, and your suggestion is to pay some attention to the more remote areas. I think it's a proper suggestion.

Senator CHURCH. Well, only because in those areas people have longer distances to travel, and the problems they face may be more acute than in metropolitan areas.

Mr. CARDWELL. I think we have decided essentially though that a single national toll-free number would not work well, partly because we are dealing with, when we talk about referral services particularly, regional variations that would be awfully difficult to control centrally. Our general thinking is that we should have central regional numbers that are tailored to the region, which would permit a person to call a single number without worrying as to whether he's getting the right office. That's our long-term objective.

Senator CHURCH. Well, I'm glad that you're looking further into this because I think it would be one avenue by which communications could be improved, as well as the service improved.

Mr. CARDWELL. I would caution that these highly concentrated telephone service arrangements do have their problems, and of the two big problems that we find, one is traffic control.

Traffic control turns out to be a much more difficult problem than we were told in the analyses. I think there is just a natural limit to how much line we can work into one place.

But second, it's the training of our own staff. Bear in mind these are people who are paid largely at clerical salary levels, to answer forthrightly and on the spot what turn out to be some fairly complex questions.

Those two problems so far have plagued us, but we still are encouraged. We think that it is the right answer, and we will stay with it.

SOCIAL SECURITY SYSTEM CALLED "TRANSFER PLAN"

Senator CHURCH. Finally, Senator Tunney has this question for you.

The July 15 edition of U.S. News & World Report described a number of so-called myths with regard to the Social Security program.

For example, the article said, "The system has been 'sold' as a kind of 'social insurance.'" The author of the article later stated, "The fact is quite different. The Social Security system is little more than a transfer plan under which younger workers, through their taxes, pay for the benefits of those in retirement or disabled, or their survivors and dependents."

What would be your response to this charge?

Mr. CARDWELL. Well, I would say first that that article by and large is one of the more responsible and more accurate. However, you have put your finger on, I think, one of the inconsistencies, inaccuracies in that article, and the one that shows up in all of the articles, and there are a number appearing these days. It's the allegation that it really isn't an insurance arrangement at all, and that it is an intergeneration transfer system.

The point is, it is both. They are not mutually exclusive, and when people say as a matter of fact, which this writer did, that it's not insurance, what he was saying is it's not an annuity system and that is correct. It is not an annuity system guaranteeing that a person will get back what he puts into the plan. It was never intended to be. But neither do many types of private insurance provide a guaranteed return. If I could use another bit of insurance jargon, Social Security is like a group or casualty insurance arrangement. Just as we have group health insurance or fire insurance on our houses which we may never collect, it's there to insure us against that casualty should it occur, and thus people are treated disproportionately depending on whether or not they experience one of the risks against which the program insures.

Social Security is just that. It's an arrangement in advance, taken to insure a person against lost capacity to make a living, to earn money, loss resulting from his retirement or his death, or his disability.

So I would argue that it's just as wrong to say it's not insurance in that sense, as it would be wrong to say it's not an intergeneration transfer system, because it is that also.

The current workers, under the financing arrangement pay the current costs of those who are retired.

The other reason many writers jump to the conclusion it is not insurance is that they have this image which in itself would be a myth when examined in the commercial insurance field, that all insurance systems are backed up by cash reserves that would be able to permit them to pay off all the policyholders.

FINANCING BACKED BY GOVERNMENT

The financing of this system is backed by the U.S. Government, and I would submit that the day the Social Security program cannot and does not pay its way is the day when private insurance will also be broken down—our whole economic system will be broken down. It's as good as or as strong as one's own confidence in our system of government, in my judgment.

Senator CHURCH. Well, my father was a very conservative man, a very staunch Republican, and he used to say that he always invested in Government bonds because he didn't have much confidence in the economy. He thought that a terrible collapse was always just around the corner, and he figured that the last thing to go would be the

Government, and that, therefore, among poor choices for investment, Government bonds represented the best.

Maybe in this sense Social Security is a safe investment.

Mr. CARDWELL. That I think is correct. It is my feeling generally.

Senator CHURCH. Senator Fong, do you have questions that you would like to ask?

Senator FONG. Yes. Mr. Cardwell, you have been with Social Security for a long time. Let me ask you this question. Who really is providing the Social Security philosophy, or looking into the subject, or really studying it so that we up here on Capitol Hill can get a very comprehensive concept of where we are going, where we are, and what we are doing?

Mr. CARDWELL. I think that is an excellent question. First, I haven't been with Social Security, per se, very long. You've known me for a long time.

Senator FONG. HEW, yes.

Mr. CARDWELL. My earlier time, usually at HEW, but anyway, I happen to think, as someone who's made his life work in Government, that this is a fairly rare program in that regard, in that it has two built-in watchdog mechanisms that are in the law itself, and most Federal programs do not have such prearrangements for evaluation and commentary to the Congress and the public.

The two that I mentioned—there is a requirement in the law that the program be evaluated by a citizens advisory committee every 4 years, and such an advisory council is in place and working at this moment, and is scheduled to have its report—

Senator FONG. Is that sufficient, an advisory council that meets every 4 years when Social Security is such a viable thing that it's changing all the time?

Mr. CARDWELL. Well, I think it is, myself. I think every 4 years is sufficiently frequent.

WRITTEN REPORT ON TRUST FUNDS

The other arrangement is that there is a requirement in the law that the Board of Trustees, made up of the Secretary of the Treasury who is the chairman, and the Secretaries of Labor and HEW must render to the Congress and again to the public as well a written report of the status of and outlook for the trust funds themselves, and that must be done every year. Also, this particular program has had congressional oversight exercised by the Senate Finance Committee and the House Ways and Means Committee.

I think the opportunity for the Congress to keep abreast of the program—its development and the choices—is exceptionally good. I don't know whether or not the full Congress has always taken advantage of those opportunities, but I think the opportunities are there.

This advisory council will deal with most of the major subjects and topics and issues. I could give you a list of them, if you like, that are now before the public. They include the things that you are hearing about and the subject we just talked about. Their reports on these things will be there for people to consider. I think we have some adequate checks and balances myself. I think they should be used—

Senator FONG. Don't you think there should be a separate council, a more permanent council to be working every day on the problems—outside of the administration people who are directly concerned with administration—so as to give it a little bit more outside—

Mr. CARDWELL. Well, I think the practicalities of making that work effectively are at best limited. I'll explain why I think so. I think that the subjects have such great significance to the economy of the country, the sense of well-being of the people, that these kinds of in-depth reviews deserve the best thinking that we can have, and I think it deserves thinking from a cross-section of the public.

My guess is that if we try to establish a standing, permanent organization for that purpose, it would tend to gravitate toward a built-in, perhaps less objective, bureaucratic approach to our very complex problems.

In other words, I think your chance of bringing the best minds is increased if you have a secular approach and if you draw people from outside of the Government rather than establish a Government arrangement for that purpose.

Senator FONG. Now, you've read quite a few articles in various magazines, which seem to be very alarming as to where we are going, when we'll reach there, what the number of people that will be working will be, who will be taking care of the people who are not working.

It was intended some time back that 10 working persons take care of 1 nonworking; then it dropped to 7 to 1. I think it is now 2 to 1 or 3 to 2, or something like that.

Mr. CARDWELL. It's about 3 to 1 at the moment. And 75 years from now, it's predicted to be about 2 to 1.

Senator FONG. Yes, one person drawing Social Security for every three that are working. Now, doesn't that alarm you?

RIISING INFLATION RATE WITHIN ECONOMY

Mr. CARDWELL. Well, I think it in a way reflects the dynamics of our society and the role that we've assigned the Government. We are a part of what has been up until this time a rapidly growing population. Now, we have also had an expanding economy, and in recent years we have been experiencing a rising inflation rate within that economy.

The latter point has been heightening congressional interest, and congressional response to it has been to increase the benefit levels, both the current and long term.

A new phenomenon has entered the picture which adds to the complexity and would create the concern that you are asking about, and that is the realization now that if future demographic conditions develop as our current population estimates suggest, we would have a very tight ratio of current workers to current beneficiaries, and on straight demographic projections I wouldn't quarrel with those facts.

However, I would remind everybody that we don't know enough now, and we haven't given enough attention to what a society built around a zero population growth rate would be like, how it would behave economically and socially.

For example, not included in the equation so far is a question that someone might well want to examine: What happens to other depend-

ency concerns? This is a dependency concern, a concern for how we provide for our older citizens and their welfare and well-being.

We also have, at various levels of government, and in the private sector also, other mechanisms to cover the dependency of young people. If the population is now predicted to curb 75 years from hence, dependency requirements of young people will not be as great, while the dependency requirements for older people as a group will be greater.

The behavior of the work force has not been sufficiently analyzed. If the work force has self-limiting features, it may behave quite differently. People could work longer and retire later because of economic incentives.

None of those things have been adequately analyzed, so I would have to say I'm not yet terribly concerned. I think the system is viable. I think the Congress and the public policymakers will have ample opportunity to look at the phenomena of a changing birth rate in the context of a rising inflationary rate, which is what is happening.

Those two things need to be examined and put in perspective. I think there's ample time to do it. I think it can be done. I think we have all the imagination and all the skill it would take to do it.

Senator FONG. All right. If the projection is correct, then three persons working would take care of two retired—do you think that could be done?

Mr. CARDWELL. Under the present arrangement, yes. I think it could be done. I'm not at this stage advocating it. As I said, I'm not sure if it will come to that.

You see, that is a straight, simple projection, and it's the best that one can do given the economic and demographic indexes that we normally make projections with, but I think the thing is really a lot more complex and subtle than that, and I don't really think it will ever come to that.

I don't know whether I answered your question or not.

Senator FONG. It's very difficult for me to see how if they take \$800 from me a year—I think that's what they take at the maximum, for Social Security—and if three of us were working and they took \$2,400 from the three of us, and they paid more than \$2,400 to each person who is retired, how that could be done, and yet you say you think it could be done. Mathematically, it won't work, will it?

TOTAL PAYMENT OF \$1,300 PER WORKER

Mr. CARDWELL. Actually, for the OASDI program, the current maximum deductions on the employee himself are about \$650 this year. In addition, however, there is an employer contribution, so that the total payment to the system would be \$1,300 per worker rather than \$800. But it would be more realistic if we based our calculations on average earnings. This would result in contributions per worker, including the employer contribution, of only about \$600.

However, even at these earnings levels, the contribution income will only be about 11½ percent less than the benefit outgo for 1974. When total income and outgo for the next couple of years are considered, our projections indicate that annual income will exceed annual outgo. Over the long run though, current projections show an actuarial imbalance of close to 3 percent of taxable payroll.

Senator FOXG. And they project that in the future years probably every—

Mr. CARDWELL. As I said, I think that's an exaggeration, to sit here today and predict that 75 years from hence there will be a certain ratio of workers to retirees. I think, on the whole, that if those phenomena emerge, others will come in and will have an impact on the value of the money, the style of work, the relationship of the various kinds of dependency.

If anything, we may be flagellating ourselves by looking out that far ahead and using the indicators we have.

I don't want to say there isn't a logical and proper question to be asked at this time. There is. This is the time to deal with the question. As I've said, this advisory council which will be reporting in the late winter, will be giving some suggestions in response to it.

I think the administration itself will probably make some comments on it in the upcoming budget proposals coming before Congress.

Senator FOXG. They project that probably a retiree at 65 would get \$2,000 a month or \$2,500 a month. Is that too ridiculous an amount to be thinking about?

Mr. CARDWELL. That all depends on what happens to the cost of living. If that happens, a loaf of bread will cost a lot, too. Our whole value set will have changed.

Senator FOXG. How many times did the advisory council meet last year?

Mr. CARDWELL. Well, the advisory council was not convened last year. Under this statute, it should have been appointed in 1973, but this council got a late start. Its reports are due by January 1, 1975, and upon transmission of those reports to the Trustees and the Congress it will disband. The next council is to be appointed in 1977.

Senator FOXG. They just meet once a year?

Mr. CARDWELL. They are appointed once every 4 years, and they meet as frequently as they wish, over a period of nearly 2 years.

Senator FOXG. And then who does the staff work?

Mr. CARDWELL. This particular council is relying heavily on its own staff, although the Social Security Administration is giving them executive secretary support. They have consulted members of the academic community from outside and others outside more than they have looked inside to the Government.

Prior councils have apparently relied heavily upon Social Security staff advice. We are behaving as participants but they have their own staff, and they are going to develop their own alternatives.

Senator FOXG. What kind of appropriation does the council have?

SALARIES AND EXPENSES FINANCED FROM WITHIN

Mr. CARDWELL. Oh, there isn't a specific budget for the advisory council. Their salaries and expenses are financed from within the trust funds. Their administrative expenses are not significant. The whole thing costs less than \$200,000.

Senator FOXG. Is it necessary to really have a more viable council to study this problem in more depth, and give it more attention than the council is now doing?

Mr. CARDWELL. I wouldn't want to assume that this council is not viable. It's chaired by the head of a major university, has several very prominent business leaders on it, including an actuary, and three representatives from the union movement. It has six representatives of the general public—including one representative of the interests of the aging, a self-employed person, an economist, and a noted black leader. I wouldn't want to suggest that it's not viable. I think that it is. I would have to see it given a chance to do its work.

Senator FONG. Now, you have taken over 3 million persons from the OAA program from the States. In that respect, how much money do you think that you have relieved the States of having to spend?

Mr. CARDWELL. Well, it's hard to say what the States would have spent. Let's put it this way. The State expenditures in the aggregate are holding at about the pre-SSI level and Federal expenditures are going up.

Some individual States—California and New York, I think would be good examples—have increased their net outlays, but looking across the States in the aggregate, the total expenditures of all the States is holding about steady and the Federal Government has increased by about 50 percent its outlays so far on behalf of this constituency group.

Senator FONG. I see. How much would that be?

Mr. CARDWELL. The pre-SSI costs were over \$3 billion, of which the Federal share was \$2 billion, and the State share was over \$1 billion, roughly. By the end of this fiscal year, we'll be approaching \$5.5 billion, of which the Federal share will be over \$4 billion.

Senator FONG. I see, so the Federal Government has doubled its outlay.

Mr. CARDWELL. Yes, the Federal Government will more than double on behalf of the beneficiary group. The group will have had their benefit levels increased as a result of SSI.

Senator FONG. In the replacement of checks, what has been the experience of Social Security in the number of checks that have been lost or have been misplaced and have to be replaced?

Mr. CARDWELL. Social Security itself runs an experience rate of one-half of 1 percent per month. SSI runs a lot higher. Welfare generally runs a lot higher. We're expecting it to level off at about 2 percent.

Senator FONG. And what percent of that would be because of fraud, people stealing it, people negotiating it when they are not supposed to negotiate it?

Mr. CARDWELL. I don't have in my head any firm statistics to even put them in the record. The Treasury Department from time to time makes analyses of checks that were reported as nonreceipts and which later proved to have been negotiated, either by the recipient, by the payee, by a member of his family, or by close friends. Treasury says the rate is pretty high.

I would be glad to put it in the record, their data on this. I'd have to ask them for it.

[The information follows:]

INFORMATION FURNISHED BY SSA, BASED ON DATA OBTAINED FROM THE DEPARTMENT OF THE TREASURY

Random studies by the Department of the Treasury provide statistics that 40 percent of the nonreceipt claims, where the check has not been returned as undeliverable or for any other reason and has not been negotiated, result in the immediate issuance of a substitute check. In 60 percent of the cases, the original check has been negotiated when the stop payment is to be applied. The 60 percent breaks down to 8 percent being real forgery cases which result in a settlement check and 52 percent were not valid claims in the first place since the beneficiary received and negotiated the original check.

Senator FONG. Is it possible to have a system in which a person negotiating it will be recognized by a picture, by his signature, so that there wouldn't be so much fraud?

Mr. CARDWELL. Well, I guess this is a possibility. A number of States use the system—New York did. I would be very frank with you, though. SSA as an institution would be very concerned about that idea, and our reason is a bit complex, and let me try to explain it.

SOCIAL SECURITY NUMBER IS UNIVERSAL IDENTIFIER

We are concerned institutionally about becoming the great enumerator for the American population. We are more and more gaining that image as the Social Security number becomes more and more popular as a universal identifier, and we think that system would drive us to that at an accelerating rate.

Second, the administrative machinery of operating centrally a whole system of photoidentification for not only more than 3 million SSI recipients, but between 30 and 40 million beneficiaries of SSA's programs would be tremendous, and we think there are other long-term solutions that are much more desirable, not just for that purpose but for the whole purpose of making payments, and that's direct deposits.

If we can move ourselves at a faster rate toward a direct deposit system we will solve that problem, without having gone into personal privacy any more than we're already in.

Senator FONG. In other words, what you mean is sending the money to the bank, and the man draws on it himself.

Mr. CARDWELL. Right. That's my long-term answer to the problem.

Senator FONG. Mr. Cardwell, suppose I came to the Social Security office and I said I am drawing a very small amount of Social Security and I want the Social Security supplement. I have a child who is in school, he's getting a free lunch because of the fact that I'm not able to pay for it. I'm drawing food stamps.

How do you coordinate it? After you have given them the Social Security supplement, do you notify the food stamp people, do you notify the school that you have taken care of the problem, or how is it done?

Mr. CARDWELL. The SSI program does not count food stamps as income and there isn't any accounting of the free lunch. That is, the school lunch program is not considered as an income matter. However, a person's being a participant in food stamps could be affected by his

eligibility for SSI because food stamp eligibility is generally income related for the household. However, in determining SSI eligibility, we start with the question of the person's resources and the amount of his earned or unearned income, including his Social Security benefit.

But, we don't depend on him to tell us all the information in order to determine SSI eligibility. If he otherwise appears to be eligible, his case is then teletyped into Baltimore and the computer checks the Social Security number. If he is receiving the Social Security benefits, \$20 in Social Security benefits is not counted against his SSI eligibility. Anything over that \$20 is deducted from the standard SSI payment amount on a dollar-for-dollar basis, and anything remaining would be paid to him as his SSI benefit. The matter, however, that must be determined locally in the district offices, relates to the man's other sources of earned and unearned income. This then becomes, I'm sorry to say, very complex. I wish it weren't so complex, but we have to go into the question of whether he works, whether he owns a home, whether he owns an automobile, whether he has a bank account, and things of that sort, or whether he has received any other form of State assistance during the period for which his eligibility is being determined.

ELIGIBILITY DETERMINATIONS MADE BY DISTRICT OFFICE

These determinations are done by persons working in the district office, and they do it by asking a series of questions and getting answers of the recipient.

In the early days of January and February, this itself created a lot of confusion because many recipients and spokesmen for them assumed that SSI would eliminate all of this, and there would be an automatic flat grant. All a person had to do was prove that he was 65. But that isn't the case.

Senator FONG. So you have no way by which you can tell that a person, after he has received support through his supplementary program, and say that's sufficient for his support, to see whether he is still drawing food stamps or not. It's up to the food-stamp people to check with that.

Mr. CARDWELL. Well, that would be a matter for State determination, and I would ask the others here to speak to that. They know more about it than I, but we notify the State that we've put the person on the roll, and we tell them every month how much we've paid them, and so the State can, with that information, apply it to their own program. The Social Security part of it we determine mechanically in Baltimore.

Senator FONG. So you work independently of any other programs.

Mr. CARDWELL. Well, no; I don't want to say it that way. We make our own calculations independently and then we would feed back to the State or the county, as the case might be, all the information that they would need to know—what determination we made with respect to that person, the fact that we enrolled him, how much we pay him—and if they have limitations in their own program, they can apply them.

Senator FONG. So, from independent offices they should catch that.

Mr. CARDWELL. Yes, sir. I think that is correct if you mean that the

various offices administering other programs would have access to information about SSI status needed in the administration of their programs.

Senator FOX. Thank you.

Senator CHURCH. Thank you, Senator. Commissioner, in our field hearings we've run across a great deal of testimony about borderline cases. I know this is a problem that has plagued you. In making your determination for eligibility, what is the eligibility period that you examine, what time frame?

Mr. CARDWELL. Well, basically from the time the person first encountered the program. If he was a person identified through outreach, we would start the period whenever he indicated to us his interest in determining whether he was eligible.

If he was a person who came in off the street and filed for benefits, the period would commence the first day of the month in which he filed. We would take into account his assets and resources from that point in time.

Senator CHURCH. Yes; what I'm thinking of, you're trying to determine his assets and his resources—his income—now, over what time period?

EARNED AND UNEARNED INCOME EVALUATED

Mr. CARDWELL. Well, the calculations under the law are made quarterly—a person's assets and earned and unearned income are evaluated on a quarterly basis even though the payments are made on a monthly basis.

Senator CHURCH. Now is it true that if an applicant has more than \$1,500 in a bank account he is considered ineligible?

Mr. CARDWELL. Yes, sir.

Senator CHURCH. And a married couple that has more than \$2,250 as their lifetime savings, they would be considered ineligible?

Mr. CARDWELL. Yes, sir.

Senator CHURCH. And what evaluation do you place on the house and the automobile in making your determination, what evaluation do you place on it?

Mr. CARDWELL. An automobile valued at less than \$1,200 is not counted. With the exception of two States—Alaska and Hawaii—where the level is \$35,000, the house and all of the land associated with the house are excluded from resources if their total value does not exceed \$25,000, based on current market value as determined by local assessment practices.

In January, February, March, and even up into April and May, we tried a policy which split the land, if the house seemed to be on land that was available for agricultural purposes, and we recently changed that to treat all the land as a residence.

But in straight answer to your question, it's a \$25,000 value limit on a home in all the States but two—Hawaii and Alaska—where it is \$35,000.

Senator CHURCH. Does this mean that people with such limited amount of money that represents their savings, such as funeral expenses and that sort of thing, are rendered ineligible but may take the money and give it to their children or someone else and become eligible?

Mr. CARDWELL. By and large, I think the answer to the question is yes. It's a program that has thresholds and people will fall either on the inside or outside of the boundary line.

The former programs that this replaced had the same characteristics. This is one of the inherent difficulties in administering a means-tested program. It shows up in all such programs.

Senator CHURCH. Yes. The Social Security Administration's interpretation of income charity is considered a form of in-kind income, and this has caused residents of private, nonprofit retirement homes to receive less income under SSI than they did under prior welfare programs, or overinterpretation has reduced the private, nonprofit institutions' capacity to care for needy individuals.

Now, it's my understanding, Commissioner, that efforts are being made to correct this interpretation. Could you give us some additional comment?

Mr. CARDWELL. Well, I would like very much to be able to give you an answer today as to what the change in interpretation would be. As with many of the SSI problems, it turns out to be very complex.

INTERPRETATION OF CONGRESSIONAL INTENT

The original idea started with the interpretation of congressional intent which was that income in-kind should and must be recognized on the theory that the purpose of the program was to provide a level of income maintenance that would be financed by a combination of sources, of which the Federal financial source was but one.

It has evolved, as you suggested—Ohio is the State where we had the most difficulty—that both charitable and personal contributions on behalf of individuals were treated as unearned in-kind income and have denied recipients' benefits either entirely or have caused them to be at a lower level than previously prevailed in the old program.

Now, we don't frankly want to see that happen. We don't think that it is logical or sensible or equitable.

Senator CHURCH. You are trying to work this out?

Mr. CARDWELL. Yes, sir, we are working on it, and I would hope that before this committee finishes its deliberations we could have before you our latest thinking on the subject.

Senator CHURCH. Good. I wish you would, as soon as you have a proposal formulated that you think will work, I wish you would inform me.

Mr. Weikel. I have a question for you. In determining Medicaid availability for newly eligible SSI recipients a State, I understand, may opt to use Federal criteria or its own criteria. These different standards have caused some problems. Would you comment on this?

Mr. WEIKEL. While the States do have that option, 34 of the States have chosen to accept the SSI criteria as a determination of their own Medicaid eligibility, and of that number, 8 of the States have chosen to make the eligibility determination themselves. The other 26 have negotiated with the Social Security Administration to make that determination.

I think some of the problems that Mr. Cardwell has pointed out in terms of the implementation of the SSI program certainly had an impact in the determination of the Medicaid eligibility. We certainly do have some interface problems, but it's an area that we're currently working on.

Senator CHURCH. Do you think it's desirable to have uniform standards for newly eligible SSI recipients? In other words, do you think it would be desirable to legislate a uniform standard to determine Medicaid eligibility?

Mr. WEIKEL. Well, I think——

Senator CHURCH. Or make them automatically eligible for Medicaid if they are eligible for SSI?

Mr. WEIKEL. Well, certainly that's one approach approach that could be considered. Under the law, section 209(b) provides the States with the specific option to use a lower eligibility criterion; that is, the standard they had in effect in January of 1972.

SIXTEEN STATES CHOOSE LOWER ELIGIBILITY CRITERIA

This protected them against the anticipated, very large increase in their Medicaid expenditures, and 16 of the States have chosen to use those lower eligibility criteria.

Senator CHURCH. Now, is it true that in those States where the SSI recipient might or might not be eligible for Medicaid, that those who are not eligible under the State standards would be eligible for Medicare or they would not be if they were less than 65?

Mr. WEIKEL. I don't believe I understand your question.

Senator CHURCH. Well, under the present law, just for the record, would you explain what SSI and what medical care SSI recipients receive if they don't meet the eligibility standards of the States. Does that mean that they get no medical care at all unless they're under 65 and do not have Medicare?

Mr. WEIKEL. That would be correct.

Senator CHURCH. Do you have any recommendations to make with respect to changing the law in this regard to cope with this kind of a gap?

Mr. WEIKEL. Well, I think this is one of the gaps that we have taken into consideration in our national health insurance proposals. We're trying to develop those proposals to eliminate that gap.

Senator CHURCH. Well, the only recommendations you have to make then would be those in connection with a general national health insurance plan, is that right?

Mr. WEIKEL. Well, at this point that is what we have proposed. Of course, elimination of the section 209(b) option would assure Medicaid coverage of all SSI recipients.

Senator CHURCH. Now, I'm told that Mr. Springfield has a short statement that he would like to present. I think we should do that at this time, and then I'll have a few questions before we continue.

Mr. Springfield?

STATEMENT OF JAMES SPRINGFIELD, DEPUTY ADMINISTRATOR, FOOD AND NUTRITION SERVICE, DEPARTMENT OF AGRICULTURE

Mr. SPRINGFIELD. Thank you, Mr. Chairman. I do have a very brief statement which I would appreciate the chance to read at this time.

Thank you for your invitation to present the Department's views on the eligibility of Supplemental Security Income (SSI) recipients for the food assistance program. Since the needy family commodity dis-

tribution program has been replaced by food stamps virtually throughout the United States, the discussion below will refer only to food stamps.

This matter has been of great concern to us since the enactment of the Federal SSI program in October 1972 which replaced the public assistance programs for the aged, blind, and disabled.

In dealing with the relationship between SSI and food stamp eligibility, it will be instructive to review briefly the legislative history of the impact of the SSI legislation.

The initial legislation enacted in October 1972 was at first proposed as part of H.R. 1 which at that time also included large-scale changes in welfare programs for families. This bill would have replaced food stamps by cash assistance for all welfare recipients. However, the House and Senate could not agree on changes in the family welfare program and so the bill, when signed, had revoked food stamp eligibility only for the aged, blind, and disabled welfare recipients; those receiving aid to families with dependent children payments retain their food stamp eligibility.

CONGRESS CONCERNED WITH INEQUITIES

As the SSI implementation date of January 1, 1974 drew near, Congress became concerned with the inequities inherent in the initial SSI legislation and genuinely attempted to prevent the aged, blind, and disabled from losing benefits to which they were entitled under the old welfare system. Thus Public Law 93-86—Agriculture and Consumer Protection Act—of August 1973 restored eligibility for food stamps to certain SSI recipients to insure that they would not suffer a loss of income under the new Federal program. The legislation requested that eligibility for food assistance would be made on a case-by-case basis.

This would have made it necessary for the States to maintain the records and staff involved in the old public assistance programs for the aged, blind, and disabled in order to make a determination of whether or not a person would be eligible for food stamps, even though that system was no longer in use for any other purpose.

While this amendment represented an attempt to provide more equitable treatment to certain SSI recipients, it would have perpetuated a massively complex eligibility determination process, resulting in high administrative costs and the potential for great abuse. In his statement upon signing Public Law 93-86, the President said that while he was "willing to go along with the restoration of food stamp eligibility, the particular device used in this bill for achieving that end is highly undesirable and must be corrected."

The President's concern over this provision was shared by other Federal and State officials. Thus, in December 1973 the SSI legislation was further amended—Public Law 93-233—for an interim 6-month period ending July 1, 1974—to give the Congress time to work out a permanent solution.

Under the interim agreement, SSI recipients retained eligibility for food stamps except in those States where the Secretary of HEW determined that SSI payments had been adjusted to include the bonus value of food stamps in cash. Five States—New York, Cali-

fornia, Massachusetts, and Wisconsin, for all categories, and Nevada for the aged and blind—indicated that SSI recipients would receive the cash equivalent of the bonus value of food stamps. In all other States, SSI recipients living alone or in households consisting solely of other SSI recipients were eligible for food assistance without regard to their income and resources but simply because of their SSI eligibility. On July 8, the President signed Public Law 93-335 which extended this provision to July 1, 1975.

The Department feels strongly that this interim legislation does not represent a final solution. While it is workable from an administrative standpoint, there are still problems which complicate program administration in those States where SSI recipients cannot be considered household members. In the so-called cash-out States the income and resources of the ineligible SSI recipient cannot be considered in determining the food stamp eligibility of other household members who do not receive SSI. Although it is obvious that moneys provided by the SSI recipient are being used to meet household expenses for the benefit of all members, such moneys cannot be counted as income to the household.

SSI RECIPIENTS ELIGIBLE FOR FOOD ASSISTANCE

As a result, the remaining household members participate with a reduced or no purchase requirement. This is not equitable to other households where all countable income and resources must be taken into account in determining food stamp eligibility. Also, SSI recipients in the non-cash-out States are eligible for food assistance without regard to income or resources.

Although households in which all members are considered in the grant for aid-to-families with dependent children are also eligible for food assistance without regard to income or resources, the Department feels, as a general principle, that the eligibility of all households applying for food stamp benefits should be determined in the same manner; that is, on the basis of income and resources.

This would mean that every household applying for food assistance benefits would be treated in the same way and would be eligible or not eligible based on income from whatever source and resources. This would apply to the current cash-out States also.

The administration has proposed, among other amendments, such legislation with respect to SSI recipients which was introduced in the Senate on July 8 as S. 3726. The Department urges prompt congressional action on this proposal.

Thank you again for giving us an opportunity to present our views on the relationship between SSI and food stamps.

Senator CHURCH. Well now, the enactment of S. 3726, would you support that?

Mr. SPRINGFIELD. Yes.

Senator CHURCH. It would eliminate a great many people who are now eligible for food stamps, would it not?

Mr. SPRINGFIELD. The numbers on that are very difficult to come by. It would probably eliminate some people who are SSI recipients and whose total income exceeds the current eligibility standards for food stamps, but in general it's our feeling, as far as food stamp eligibility

and participation is concerned, that money is money and that generally on the basis of equity it's fair, that the eligibility for stamps be determined on how much money is available to a household whether they're SSI recipients or AFDC recipients or having income from work.

Senator CHURCH. In order to be eligible for food stamps now, what is the income limitation? Is it \$194 a month?

Mr. SPRINGFIELD. I have those figures somewhere here—currently for the eligibility standards, it varies by household size, and for a one-person household the maximum monthly income for the 48 States and the District of Columbia is \$194, Senator. For two people, it's \$273. This eligibility standard is related to a cost of food and is adjusted semiannually to reflect any change in the cost of food.

Senator CHURCH. So what you're really objecting to is the present law which makes SSI recipients automatically eligible for food stamps.

Mr. SPRINGFIELD. Well, what we have at the moment really is a mixture.

Senator CHURCH. Unless you're dealing in a State that has cashed out.

Mr. SPRINGFIELD. Right. In five States, we have them automatically ineligible, as a category, and in the remaining States they're automatically eligible as a category. Our view generally is that we ought to move toward counting all cash and resources and apply the same to all applicants, regardless of the source of their income.

Senator CHURCH. You approve of the action taken by those States that have cashed out the food stamp program?

SOME FAMILIES ARE WORSE OFF

Mr. SPRINGFIELD. Well, not necessarily. As you may know, that legislation was recently amended because, while people in those States are supposed to be receiving a State supplementary payment which includes the bonus value of food coupons and which, with the SSI payment, should equal the benefits they were receiving prior to the enactment of SSI, there are, in fact, some families who are worse off. This results from the fact that because of the administrative burden in calculating the amount of bonus coupons each individual household received prior to SSI, the State supplement of the cash equivalent of the bonus value of food stamps is set at \$10 for an individual SSI recipient and \$20 for an SSI couple. Undoubtedly, some individual families who had received larger bonuses are worse off.

On the other hand, in the cash-out States, households consisting of SSI recipients and non-SSI recipients get a substantial break insofar as eligibility and the amount required to be paid for food stamps are concerned. The law specifies that SSI recipients cannot be counted as household members, therefore their income and resources cannot be counted for food stamp purposes even though the income is shared in meeting household expenses. Such mixed households get a substantial break because of these inequities. It seems to us that, in principle, categorical cases of eligibility, such as SSI recipients and AFDC recipients as well, should be eliminated and eligibility of all households be determined on the same basis, that is, on the basis of income available to the household.

Senator CHURCH. I have one final question for you, Commissioner. Under the present SSI program, monthly income standards are now

\$146 for an individual and \$219 for a couple. However, these figures are still below the official poverty thresholds which are estimated for 1973 to be about \$180 per month for an aged individual and \$225 for a couple.

Our principal purpose in enacting the SSI program was to try to reach the people most in need, in the hope that we might begin to eliminate poverty in this country among the elderly.

We still seem unable to devise a retirement program that succeeds in abolishing poverty for the elderly of this country, let alone others who live in poverty.

Do you think that we can succeed in doing this? I understand the problem that inflation has imposed on the retirement programs, and our seeming incapacity to deal with inflation is probably the most serious problem facing us domestically today. But, I wonder if you could give us your estimate of what it would cost to establish the eligibility levels for SSI at a point that would in fact lift the income of these people above the poverty level as it's defined in the Federal Government itself. We continue to fall short of this goal, and I think we ought to know what it would cost to achieve the goal.

PROJECTION OF 7.6 MILLION BENEFICIARIES

Mr. CARDWELL. Well, my understanding is, using current definitions, that an additional 2.5 million people counted in terms of individual eligibles and couple eligibles would be added to the current SSI roll. In other words, taking the 1975 projection of 5.1 million beneficiaries, we would end up with about 7.6 million, and on that basis, it would increase the cost of the program in 1975, the current fiscal year, by over \$3 billion, \$3.4 billion more, to be exact.

As much as we share your concern about the end objective, the desirability of achieving it, I am not optimistic frankly about our capacity to finance it at this stage given the mounting pressure that is developing on the Federal budget, with the Federal budget being looked to again as one of the economic levers the Government has available to it as a fight against inflation generally. It's a very tough choice always.

Senator CHURCH. Well, it's a question of priorities, isn't it? We're being asked to approve \$100 billion for the military this coming year. Altogether, the foreign aid program has gone up 72 percent in the last year. These are tremendous jumps in these areas of Federal spending, being urgently requested by President Nixon.

I suppose it just comes down to what priority we can give how many people, and how much we care about abolishing poverty in this country.

Mr. CARDWELL. The priority that we have followed so far, insofar as SSI is concerned, of course, was to improve the base commensurate with the change in cost of living. To reach the poverty level, per se, sad to say, you would require increasing the base.

Senator CHURCH. Yes, but it does not do any good to simply establish a mechanism and device to make adjustments based upon an increase in the cost of living.

If you start from a base that's below the poverty line to begin with, you just perpetuate it. You perpetuate the situation. You never catch up. You never succeed in bringing these people above the poverty level.

Well, this is a problem that we have to deal with in both the Congress and the executive branch. I hope that we can devise a system that will finally bring an end to poverty among the elderly in this country.

We're the richest country in the world and if we can't do this—it seems to be a damning thing in our society.

Thank you very much, gentlemen, for your testimony this morning. We'll begin this afternoon at 2:30.

[Whereupon, the hearing was recessed at 12:20 p.m.]

AFTER RECESS

Senator CHURCH. The hearing will please come to order.

Our next witness is Bill Hutton, executive director of the National Council of Senior Citizens. He is accompanied by Irvin Ryan, Lucy Thornburgh, Bea Kersten, and Barbara Marks.

STATEMENT OF WILLIAM R. HUTTON, EXECUTIVE DIRECTOR, NATIONAL COUNCIL OF SENIOR CITIZENS

Mr. HUTTON. I will introduce my fellow witnesses, if I may, sir, in the interest of conserving time, because I know you had a busy morning.

Perhaps I should say that my name is William R. Hutton. I am executive director of the National Council of Senior Citizens.

I have submitted my testimony, Mr. Chairman, and I would like to ask that you include it in the record.* I will spend my time for the next few minutes highlighting some of the testimony which I have introduced and commenting on this morning's testimony. Afterward, I would like to yield the rest of the time to the people I brought in to testify from various States. They are people who have volunteered their time working on this SSI program and I am sure what they have to say will be of great interest to you.

The central question raised in my testimony is a very important one. It is this: Has this administration utilized every resource available to it to promote this Supplemental Security Income program or has it, through the devious genius of administrative redtape, managed to program SSI for failure or at least delay in order to implement SSI at a better, more convenient, budgetary period?

SSI was developed and designed to help those aged, blind, and disabled Americans who find themselves unable to meet the costs of the barest necessities of everyday life without subjecting them to the indignities of past State-based public welfare programs. However, as this morning's testimony indicated, the program thus far has not been an unqualified success.

INEFFECTIVE IMPLEMENTATION OF SSI

I was interested this morning to hear the Commissioner say something to the effect they have not had rave reviews. In letters we have received from an irate public, there has been considerable raving about ineffective implementation of SSI.

*See prepared statement, p. 577.

Well, I can only say, Mr. Chairman, at our office at the National Council of Senior Citizens, we are also receiving an increasing number of letters from our members and other senior citizens who do not understand the differences between the new Social Security-administered SSI program and old-age, survivors, and disability insurance program, properly known simply as Social Security. In the public mind, the difference between these two programs is much more confusing than that between Medicare and Medicaid programs. The problem of confusion of programs must be addressed by Social Security.

However, our testimony deals with the single most important problem to be solved during the balance of this first year and for the next few years, accessibility to SSI. We must deal with the problem of making accessible the benefits of this program to those which Congress has declared eligible. I was very much interested this morning in phase 1 and phase 2, as described by the administration. Whenever we have difficulties with something, we give it a phase number that people can kick around the corridor and then lose. It seems to me if phase 2, for example, includes a mailing to 5,200,000 people whom SSA really considers eligible for SSI, they did not have to wait, given a leadtime of 14 months on the program, the administration did not need to wait until 6 months after implementation to think about that mailing. That kind of mass mailing should have gone out 6 months before implementation.

I want to recall to you, Mr. Chairman, that after the introduction of the Medicare program, we did a very successful Medicare alert, with the full assistance of the Social Security Administration. Thousands of elderly people were hired at a small fee. For example, they earned \$2 an hour, 4 hours a day, working for 3 months. It was premised on older people reaching out to older people. The result was that in a very short time, we were able to sign up 96 percent of the Medicare eligibles for the additional supplemental insurance.

One wonders why that kind of a decision was not made this time.

Senator CHURCH. Is it not true there was about a year's notice to Social Security that this program was coming along?

14 MONTHS LEADTIME

Mr. HUTTON. Fourteen months leadtime, Mr. Chairman.

Senator CHURCH. Your point is after 14 months leadtime and 6 months in the program itself, it has occurred to them in phase 2 to go mailing out to the people who are prima facie prospects for eligibility?

Mr. HUTTON. It would seem to us that if last July, a year ago, that mailing had been sent to 5.2 million potential recipients there would have been ample time for responses. People could have come back and said, "Yes, I think I am eligible. Please, Social Security, get in touch with me, or where should I go to get instructions from you?" Our volunteers would have been giving assistance and we would all have been that much further ahead in implementing SSI.

It does seem to me, if you had designed it in order to save the country money, the administration money, you could not have designed it better. If you designed it for older people who needed money to lose money, you could not have done any better. That is a sad, sad commentary on the administration's understanding of the objectives of the program.

It did seem to me, from listening to the testimony this morning, that how you proceed is all according to where you sit. If you listen to the administration spokesman, they are concerned about money and time. If you think about all of the needy aged, blind, and disabled out there, you have to ask the questions: Why was not outreach done earlier and more effective?

Senator CHURCH. Don't you think that was evident in the closing minutes of this morning's session, when I asked what priority should be given to eliminating poverty among the elderly of this country and the response was, I just do not know when we can get around to that; we have so many budgetary problems.

That means there are a lot of other things getting higher attention.

Mr. HUTTON. I was glad you focused on the mounting Defense budget and other budgets. It is always the older people that have to carry the burden and not the business and industry.

Concerned as we are with accessibility to the program, we must be sure to make available a prompt and efficient reconsideration and a hearings and appeals process to those who have been denied benefits because that is a very serious problem. However, focusing once more on accessibility in the preapplication period, problems that are dealt with in the testimony as submitted, include the following:

(1) An outreach program; we think that what we have is too little, too late, we would rather have had too much, too soon; (2) convenient geographical location of Social Security offices; (3) removal of that lingering stigma of welfare; (4) assurance of uniform interpretation of eligibility criteria; and (5) an amendment of faulty criteria.

Outreach is something to which I hope your committee will pay a great deal of attention. An undetermined number of potential SSI recipients do not know the program exists or that it is capable of providing them with the benefits Congress clearly mandated.

The problem created for new eligibles not located as yet or located and not enrolled, is that retroactive benefits are not paid under SSI. The losses that these people incur and have already suffered as a result of late enrollment are gone forever. They are permanent losses.

PROBLEMS OF RURAL AREAS

Regarding the problems of geographic location of Social Security in field offices, well, we heard much this morning on the telephone applications. I would like you to hear problems of rural areas. There is a very real problem of the lingering stigma of welfare still there. There is difficulty in making the program known to potential eligibles. There is the problem of making people comfortable with the idea of SSI.

Many recipients are deterred from seeking benefits because they fear that stigma of welfare. The feeling of potential recipients that SSI is a form of welfare is reinforced in some States supplementing the Federal benefit by the continuation of the requirement that recipients fill out forms in compliance with States' lien laws.

Finally, we turn to the implementation of the program. Members of Congress have charged that this administration has used redtape to keep budgeted funds from getting out to other programs authorized by Congress. I particularly refer to the testimony of Congressman Jim

Ryan's report on the delaying tactics of the clean water program so that only \$17.3 million of the congressionally mandated \$5 billion for the program was spent. He discovered in one program designed to reduce water pollution, that rules and regulations imposed on grant applications cut spending in the first 15 months to only 4 percent of the intended level. It is this kind of thing which frightens us as we look at the possibilities that might exist in this SSI program and matters that get a little closer to home. We read that the Office of Management and Budget plans to save \$3 billion during the next fiscal year by tightening spending. Officials hope to save \$1 billion as fewer people apply for social program aid, according to a statement made by the Director of Office of Management and Budget, Roy L. Ash.

We believe SSI was designed as a great social experiment which would transfer America's weakest citizens to a program designed to preserve their self-respect. If the administration refuses to set into place a properly staffed, well-organized team of administrators, then we the citizens, who cannot hold appointed officials accountable, will be left with the ashes of failure on this program rather than the fires of compassion and human warmth. It was compassion, I believe, that started the program at the beginning.

We want to point out that although the Nixon administration has had more than 1½ years leadtime, Social Security still does not have a complete hearing and appeals system in place and functioning. In fact, it is these and other failures that lead us to speculate that the Nixon administration may have programed SSI for failure or devastating delay.

Now, I also see that the possible intention of programing a disaster by the administration in its failure to utilize effectively the Social Security system for implementing SSI, is a prime reason for insulating the Social Security system from partisan political issues.

When the Director of OMB and the Secretary of the Treasury tell us gleefully that \$1 billion can be saved on our income assistance programs, we have to come to the terms with ourselves on the need to create a Social Security system freed from the hands of the politicians. Therefore, we support the excellent bill which you have introduced. The only way to guarantee the integrity of Social Security is to remove it from the Department of Health, Education, and Welfare and its political interference.

Senator CHURCH. Without objection, the prepared statement of Mr. Hutton will be inserted into the record.

[The statement of Mr. Hutton follows:]

PREPARED STATEMENT OF WILLIAM R. HUTTON

Mr. Chairman, members of the Special Committee on Aging, my name is William R. Hutton. As executive director of the National Council of Senior Citizens, I am here today to represent the views of our members regarding Supplemental Security Income (SSI). We appreciate the opportunity to participate once again in your hearing on the "Future Directions in Social Security."

We applaud the committee's inclusion of an early assessment of the Supplemental Security Income program. Hopefully, these hearings will not only serve the essential oversight function but will also provide a valuable educational function about the concepts and provisions of SSI.

In our office, we are receiving an increasing number of letters from our members and other senior citizens who do not understand the difference between the new Social Security-administered program of Supplemental Security Income

and the old age, survivors, and disability insurance program, popularly known simply as "Social Security."

In the public's mind the difference between these two programs is much more confusing than between the Medicare and Medicaid programs.

Our membership includes people from all parts of the country and from all walks of life. However, the majority of the members are retired working people. They are the people who have built this country. They have contributed their physical strength through their daily labors. They have contributed their financial share by paying the taxes that have built our schools, our roads and our public institutions. They have contributed to the quality of life in America by adding their moral fiber and compassionate sense of common humanity to the support of programs designed to benefit their less fortunate fellowmen—the aged, the blind, the disabled, and the disadvantaged.

In bringing to your attention some of the problems that have developed in SSI during its first 6 months of implementation, we recognize that we are in the early stages of this program. Yet, for many of those whom Congress intended to benefit, the sands of time have already run out. We specifically draw your attention to the elderly recipient who is not able to wait patiently for the administration to program the technology for performance. However, some of the problems that we at the National Council see, lend themselves to legislative correction and we shall try to identify those as we go along.

In order to better describe program problems, I have invited three members of the National Council of Senior Citizens to add their valuable "grass roots" perspectives.

The three members who are here today are from diverse parts of the country and each is from a State in which SSI is provided just a little differently from the other two.

On my right is Mrs. Lucille Thornburgh, of Knoxville, Tenn. Mrs. Thornburgh is the coordinator of the Knoxville Senior Aides, a program operated by the National Council of Senior Citizens on behalf of the U.S. Department of Labor and has served on both the SSI-Alert program and the current community action program searching out people who are eligible for SSI in Tennessee.

Tennessee has a population of 4,200,000 of which 415,000 are elderly. In January 1974, 89,927 people in the State were receiving SSI. 55,401 are aged, 1,583 blind, and 32,943 disabled. Tennessee does not supplement the Federal benefit levels because they are higher than the previous public assistance levels. Therefore all recipients in Tennessee are completely dependent upon the success or failure of the Federal administration of the program.

Beyond Mrs. Thornburgh and to her right is Mrs. Bea Kersten, program director of the Senior Aides program that NCSC administers in Minneapolis, Minn. Mrs. Kersten is also the AFL-CIO Community Service worker and has had a vast amount of experience with SSI in her State.

Minnesota has a population of 3,900,000, of which 425,000 are elderly. 31,607 SSI recipients were on the rolls in January 1974. Of these 14,594 were aged, 820 blind, and 16,193 disabled. Minnesota supplements the Federal benefit level for both recipients who were formerly on public assistance and were converted to the new program and those who have been since the first of the year.

To my left is Irvin Ryan, member of the executive board of the National Council of Senior Citizens and also a member of the State of Ohio Commission on Aging. Mr. Ryan's work in aging and on the SSI-Alert have given him some intimate views of the new program and its impact on the elderly in his State.

Ohio has a population of 10,800,000 of which more than 1 million are elderly. In January, there were 97,297 SSI recipients in the State. 43,315 are elderly, 2,352 blind, and 51,630 disabled. Ohio has chosen to provide a State supplement to the mandated category of recipients only.

To my extreme left is Mrs. Barbara Marks, deputy director of Legal Resources for the Aged, a program maintained in the Washington headquarters of the National Council of Senior Citizens. The Legal Resources program from its conception in 1968 has located and developed legal services for and conducted research into the legal problems of the elderly in more than 15 States across the country. Mrs. Marks is an attorney, known to this committee for her interest in and knowledge of the SSI program, having testified before you on the matter of preimplementation problems last summer. She is here today as technical adviser to this panel of witnesses.

Before the other witnesses offer their testimony, I would like to make a few general remarks concerning the implementation of SSI particularly as it relates

to older people. These remarks are based on continuing advice and counsel with members of the National Council of Senior Citizens who are working in an official capacity to implement the program and with those members who are recipients or potential recipients of SSI benefits. Social Security Administration statistics show that some 71 percent of those receiving SSI also receive some type of Social Security payment as well. Therefore some of our members, though hard-working and prudent all the years of their working life, find themselves in these days of double digit inflation no longer able to meet the cost of the barest necessities of every day living and must acknowledge their need for assistance in order to keep their independent life and hold on to their right to remain constructive members of our society.

I. THE MOST IMPORTANT PROBLEM BEFORE US

The single most important problem to be solved during the balance of this first year of implementation and for the next few years, is the problem of making accessible the benefits of this program to those whom Congress has declared eligible. Accessibility in the preapplication period includes: (1) outreach, (2) convenient geographic location of Social Security offices, (3) removal of the lingering stigma of welfare, (4) assurance of interpretation of eligibility criteria, and (5) amendment of faulty criteria.

In the post-application period when a denial of eligibility has been made, there must be: (1) a prompt and efficient reconsideration, and (2) an efficient hearings and appeals process.

In order to effectively achieve the goal of maximizing each of the components of accessibility which have been set out, we must have the complete cooperation of the Department of Health, Education, and Welfare, to ensure that adequate funds are sought and expended on the SSI program.

A. PREAPPLICATION ACCESSIBILITY

First and foremost in making SSI available to the aged, blind, and disabled, is a program of dedicated and effective outreach. An undetermined number of potential recipients do not know that the program exists or that it is capable of providing them with benefits. Many persons confuse the SSI program with Social Security and believe that income maintenance is automatically provided to them if their income and resources fall below a certain level. They do not know that access to the program requires a positive effort on their part in order to be enrolled. Or, on the other hand, some believe that they are not eligible because they have not made contributions to the program.

1. Outreach

Outreach efforts have been limited to regular channels of communication, some demonstrations conducted by the Social Security Administration itself, and SSI-Alert conducted by volunteers under the direction of American Red Cross and funded by the Administration on Aging. However, only 12 percent of the eligibles had been placed on the rolls at the end of 3 months of outreach.

In order to enjoy the benefits of the program, individuals must be aware that the program exists and that they may be eligible for it. The problem created for new eligibles not located as yet, or located and not enrolled, is that retroactive benefits are not paid under SSI. The losses that these people incur as a result of late enrollment are permanent.

2. Geographic Location

Another obstacle to accessibility is the geographic location of the Social Security offices. Arguments can be offered that outreach workers or applications by mail will rectify this situation. Mail or phone applications, while acceptable to the Bureau of Supplemental Security Income may be exceedingly difficult methods for an aged, blind or disabled person, especially those elderly who are unable to use the English language with facility. Since huge waves of immigrants arrived on these shores from Middle Europe at the turn of the century, there are thousands of ethnics, especially in urban areas, who may be eligible but who will not come on the rolls because they are trapped forever behind the language barrier.

However, the 1,300 district and branch offices of Social Security are really the entry point to the program for the recipients rather than the U.S. mails and telephones. Social Security located its offices prior to the advent of SSI and without due consideration being given of the location of the target population. Many recipients are located in areas remote from SSA offices. Transportation to the office,

either to apply for, or question the amount of, benefits is often costly or unavoidable.

3. *The Lingering Stigma of Welfare*

Many recipients are deterred from seeking benefits because they fear that stigma of "welfare" which, attached to public assistance payments, will also apply to SSI benefits. This is true despite the facts that the payments have been redesignated "income maintenance" and the payment checks come through the mail along with Social Security benefit checks.

The feeling of recipients that SSI is a form of welfare is further reinforced in some States that supplement by the continuing requirement that recipients fill out forms in compliance with State relative responsibility and lien laws. Most recipients do not realize that relative responsibility and lien laws apply only to the States' contribution to their benefits or, if they are aware of the fractionalized nature of the law, they balk at having their tiny estates eroded by levy execution later on when their lives expire. These legal remnants of the welfare concept discourage potential recipients from applying for SSI, although Congress created SSI as an income floor which the public willingly provides to its aged, blind and disabled.

This problem may lend itself best to legislative solution to counteract the effect of administration regulations that interpret the silence in the SSI law to permit the States to continue this practice of deterrence to access to the program.¹

4. *Lack of Uniform Interpretation of Eligibility Criteria*

Eligibility criteria. The access of the recipient to benefits depends on whether the recipient meets the eligibility criteria required by law. The eligibility under SSI, that is, need based on income and resources, are different criteria in amount from those used under the former welfare programs. The benefit level has been standardized.

Formerly, a standard of need was established by each State: the maximum benefit paid was a fixed percentage of that standard. The individual recipient's benefit was based on his own budget, taking into account his special needs. Under that system benefit levels were not uniform. Filing for benefit would have been extremely difficult for recipients if they had not been handled individually by case workers who could fill in the details of individual budgets for the recipients and calculate their benefits for them. Although the case worker has been supplanted by dedicated public servants in Social Security offices, much of the time those officers are neither trained to cope with difficult clients nor skilled in techniques that could make the application process easier for the aged, blind and disabled. Unfortunately, the applicant, disadvantaged as he is, has no access to an advocate to correct diversities in the system that may be imposed on him and is totally dependent on the personnel provided by SSA, most of whom are untrained in social work.

5. *Faulty Eligibility Criteria*

A serious fault in the eligibility criteria as legislated can be found in the exclusions from resources in determining eligibility. Among the exclusions is a home, which by regulation, can be calculated as its fair market value of \$25,000.

This is a benefit to a low income urban elderly person whose home has increased in value because of soaring property costs. Land, however, is not excluded. Low income rural elderly who have modest homes on acreage which has increased in value because of inflation are denied access to SSI benefits because they are "land poor."

Another area that needs to be reexamined is the disincentive to earning income such as the 50 percent penalty on all earned income above \$65.00 per month. For the 29 percent of the SSI beneficiaries who are not on Social Security, such a drastic limitation on their earnings would discourage them from applying for SSI at all. We need to review the similarities between this criterion of eligibility for SSI and the retirement test which affects the benefit level of a Social Security beneficiary. The former is funded by the general revenues, the latter plays a significant role in the distribution of money from the trust funds. If our social goals are self sufficiency for senior citizens and fostering pride in them of their own independence, this disincentive to entry into the SSI program should be reviewed by Congress in the near future.

¹ 38 FR 21188-21193, subpart T, sec. 416.2003(g).

B. POSTAPPLICATION DENIAL OF BENEFITS

1. Process of Applications

Let us assume for the moment that an individual has located the Social Security office and been advised that his application will be processed.

On January 1, 1974, Social Security projected a universe of 2.8 million newly eligible recipients in addition to the 3 million who had been converted from the former assistance programs and the 200,000 new eligibles enrolled by the implementation date. As of April 1, 1974, those of us who participated in the SSI-Audit were advised that only 350,000² had been enrolled during those 3 months. If such a pace were to continue it would take more than 2 years to locate and process the 2.8 million. At present, there are hundreds of thousands who are waiting to have their applications processed. If these people are not declared eligible they have recourse to two further procedures, reconsideration and hearings and appeals.

2. Reconsideration

An applicant who is denied his benefits may seek reconsideration in the district or branch office where he made his initial application. If, after reconsideration, the applicant seeks a further hearing, he must apply for a hearing in another office of Social Security.

3. The Hearings and Appeals System

Changes from the former welfare system have been made in the hearings and appeals process under SSI. The process is now under the jurisdiction of the Social Security Administration's Bureau of Hearings and Appeals. Hearings and appeals may be invoked when benefits have been denied, withdrawn or reduced. By law, the constitutional guarantee of due process requires that the right to a benefit, once established, cannot be abolished without notice and a hearing. Adverse rulings may be appealed by the recipient to a court of law.

Administrative remedies include a complex hearing and appeals process, modeled after the Social Security appeals system but with some differences. Hearing examiners do not have to be more than "qualified persons without meeting . . . specified standards for hearing examiners" under certain sections of the law; recipients may be represented by persons other than attorneys; and any findings of fact certified by the Secretary of the Department of Health, Education, and Welfare are not subject to review by a court of law.

In the view of the National Council of Senior Citizens, the introduction of a new hearings and appeals system creates the need for training of professional and paraprofessional personnel in the law, procedures need to be established within the system for orderly processing of claims. Imperfection in procedures as in any new hearings system may be expected to create inequities and undue delay in rendering verdicts. There will be a need to monitor the operation of the hearings and appeals systems so that deficiencies may be corrected soon enough to avoid excessive harm to the recipients. Recipients and persons responsible for their welfare will have to become acquainted with the mechanics of the process so that it can be utilized properly by the people for whom it is designed.

We are quite astonished to learn that with more than a year and a half of lead time, Social Security still does not have a complete hearing and appeals system in place and functioning.

II. THE ADMINISTRATION'S RELUCTANCE

The final question we ask today is the hardest one of all. Has this administration expended every resource available to it to promote SSI or has it through the devious genius of administrative red tape managed to "program" SSI for failure?

Such an idea would not have been one we would have articulated a year ago, but now when we hear Rep. Jim Wright (D., Texas) state that "Redtape is purposely fostered to keep the budgeted money from getting out,"³ we begin to worry about other areas. The Texas Congressman was referring to the fact that within the first year of the clean water program, only \$17.3 million of \$5 billion planned for the program was spent. Wright said that in one program designed to

² Report, "Total Cumulative Applications for SSI, Through April 1974 and Approximate Disposition as of March 31, 1974," Weekly District Office and Social Security Information Provided to Office of Congressman Ogden Reid.

³ Washington Post, July 2, 1974.

reduce water pollution, rules and regulations imposed on grant applications cut spending in the project's first 15 months to 4 percent of the intended level.

Matters get a little closer to home when we read that the Office of Management and Budget plans to save \$2 billion next year by tightening spending for the next fiscal year; officials hope to save \$1 billion as fewer people apply for social program aid,* according to a statement made by the Director of OMB, Roy L. Ash, during a recent news conference.

Such a public posture would have been unthinkable at one time, but now that "contempt" has seemingly become a virtue, we hear public officials floating the clear intent of Congress. SSI was designed as a great social experiment which would transfer America's weakest citizens to a program designed to preserve their self-respect. If the administration refuses to set into place a properly staffed, well-organized team of administrators, then we, the citizens, who cannot hold appointed officials accountable, will be left with the ashes of failure instead of the fires of compassionate human warmth.

If ever an argument could be offered to persuade this Government to create an independent Social Security system, it would be this one of politicization of that body. When the Director of OMB and the Secretary of the Treasury tell us gleefully that a billion dollars can be saved on our income assistance programs, we have to come to terms with the need to free Social Security from the hands of politicians. Once again the National Council of Senior Citizens respectfully submits to you gentlemen that the only way to guarantee the integrity of Social Security is to remove it from DHEW and let it become an independent agency.

Before concluding, I want to compliment the members of the Senate for approving two very important and urgently needed amendments to SSI.

These amendments, proposed by Senator Russell B. Long (D., Louisiana) on behalf of Senators Walter F. Mondale (D., Minnesota) and Robert Taft, Jr. (R., Ohio) and rejected by the House conferees when attached to the Renegotiation Act Extension (H.R. 14833), are presently on the Senate-version of the international commerce bill (H.R. 8217).

Hopefully, the House will take the lead of the Senate and accept these amendments.

The Mondale amendment provides automatic increases in SSI benefits which would parallel cost-of-living increases for Social Security cash benefit recipients and require States that make supplemental SSI payments to increase their payments accordingly. The Taft amendment would permit the Federal Government to reimburse States and local governments for emergency assistance payments to SSI eligible persons whose applications had not yet been processed. The amount of the emergency assistance payments would then be deducted from the recipient's retroactive SSI payments.

I thank you again for the opportunity to express the views of the National Council of Senior Citizens on this important new program.

Senator CHURCH. Mr. Hutton, would you please introduce your fellow panelists at this time.

Mr. HUTTON. Mr. Chairman, the three witnesses I brought here today are from different parts of the country, each from a State in which SSI is provided just a little differently from the other two.

On my right is Miss Lucille Thornburgh from Knoxville, Tenn. Miss Thornburgh is the coordinator of the Knoxville senior aides, a program operated by the National Council of Senior Citizens on behalf of the U.S. Department of Labor. She has participated in the SSI-Alert, searching out people who are eligible for SSI in Tennessee.

After her, I would like to turn to Mrs. Bea Kersten on her right, who is program director of the senior aides program which is administered in Minneapolis, Minn. She is the AFL-CIO community service worker and has a vast experience with SSI in her State. To my left is Irvin Ryan, who is on the Ohio Commission on Aging and worked on the SSI-Alert. He has been given some intimate views of the program and its impact on the elderly.

* Wall Street Journal, June 28, 1974.

On my extreme left is Mrs. Barbara Marks, an attorney with our legal resources for the aged project. She has testified before this committee in the past. Her interest and knowledge of the SSI program is vast and she has been acting as technical adviser to our panel.

I introduce Lucille Thornburgh of Knoxville, Tenn.

STATEMENT OF LUCILLE THORNBURGH, COORDINATOR, SENIOR AIDES PROGRAM, KNOXVILLE, TENN.

Miss THORNBURGH. Mr. Chairman, members of the Special Committee on Aging, my name is Lucille Thornburgh. As you have heard, I am the coordinator of the senior aides program, sponsored by the National Council of Senior Citizens in Knoxville, Tenn. I am also presently employed by the Knoxville community action program to search out people who are eligible for SSI. You see, we have approximately 415,000 people in Tennessee who are over 65. However, in January of this year, when SSI started up, we had only 55,401 aged on SSI. Our SSI benefit level in Tennessee is the Federal benefit only, \$146 for the single people with no other income and the \$219 for married couples.

As others have and will testify, the elderly are particularly isolated. There is no other group quite so difficult to locate and inform. Many have no contact with social service agencies and are unknown to the standard providers of such services.

A large number do not visit senior citizen centers or other locations that can provide information of particular interest to the elderly. Even attempts to reach the elderly in their home through the media are largely unsuccessful. Small-print newspapers do not emphasize communication to senior citizens. Television spot announcements are quickly spaced, and the details escape the attention of many elder viewers. Thus, any program that is intended to serve senior citizens must include, not just an information source or a public relations campaign, but a viable outreach mechanism to inform potential beneficiaries of available services. Without outreach, SSI and food stamps can serve only those elderly who are already alert to its benefits and cannot reach the uninformed needy for whom Congress intended these programs.

I believe that our experience with SSI in Knoxville proves that this outreach must be personalized and door to door, if it is to be effective.

RED CROSS DEPENDS ON VOLUNTEERS

The Red Cross does not have the facilities to do the job. As you know, they depend a great deal on volunteers, while the community action committee has outreach workers who are a part of their staff and already know where a lot of potential recipients are that otherwise would not be reached.

As community-based organizations, CAA's involve elderly poor in their policymaking and are, therefore, particularly responsive to their special needs. Since community action is a multipurpose agency, outreach for SSI and food stamps also provides an occasion to discuss other services—such as housing, employment, and legal assistance—and, when necessary, furnish transportation to help the senior citizen reach the service agencies.

Community action is well experienced in outreach and referral functions, and is prepared to follow up with these agencies to insure that those who qualify for benefits secure the services. I think that it highly desirable that these various outreach contacts be combined in the single agency capable of providing this broad help. I recommend that further grants for outreach services to the elderly be made immediately, and that community action agencies be among the agencies implementing the contacts.

I personally have been working on enrolling people; and I have assisted some 400, with the help of CAA outreach workers, to file applications for SSI. My territory includes both city people and also the rural Tennessee families.

Not all of them have received SSI, although I felt that all of them were in need. Now I'd like to tell you about a strange thing I have found as I go through the countryside, because I think you could change the law so that people in my State, or in any other State where the inequity exists, will no longer be prevented from receiving assistance when there is a clearcut need.

What I would like to discuss is the exclusion from resources permitted in order for the person to be considered eligible. Now the law states that the Secretary can determine the reasonable value of a home and that amount shall be excluded from the resources of a person who applies. The importance of this exclusion is the eligibility for SSI is determined on the basis of a person's income and his resources.

The Secretary decided that a reasonable value of the home should be set at \$25,000. It was a fair decision and older people who are hanging on for dear life to remain independent in town, can get a little SSI even though they have a family home which is worth up to \$25,000, provided they met all the other criteria.

However, I would like to describe two different couples that I ran across in the Tennessee countryside.

Mr. and Mrs. Orion Ottinger are a married couple, both of whom are 76 years old. The Ottingers' entire income is Mr. Ottinger's World War veteran's pension of \$154 per month.

They live in a very modest house which is surrounded by their 12-acre farm. The entire property is assessed at \$15,000. The entire farm is mostly pastureland that is very "slatey." When the Ottingers were young they raised tobacco and hay there. They never worked at any jobs that paid Social Security although they worked hard on their farm.

The Ottingers applied for SSI, but were denied it. Now you may wonder why they don't just sell the farm, use up the money and then apply again.

First, they would have trouble selling the farm since there is no right-of-way into it. Second, if two people of 76 sold at a sacrifice and moved out of their lifelong home wouldn't that be enough of a shock to make them ill or even kill them? Where would they go where they could maintain themselves in independence and dignity as they have right there on those 12 acres of Tennessee farmland?

RENDERED INELIGIBLE UNDER ADMINISTRATION CRITERIA

SENATOR CHURCH. Can you tell me why this farm, being only \$15,000 and consisting of only 12 acres, rendered them ineligible under

the administration criteria? You had said earlier that a \$25,000 home—

Miss THORNBURGH. Senator, that is something that I would certainly like to know. Why can a city slicker own the home at \$25,000—which to me a \$25,000 home is a very nice home—and get SSI while this couple out on this little 12-acre farm can't get SSI? Are we going to penalize the people because they have worked and bought a little piece of land?

Suppose they did sell their farm and get the full value? I do not know how they could do it without a right-of-way. If they did sell it and get the \$15,000 for it, where are they going to go then? Two people, 76 years old, could not move into town into one of the low-income highrises. I think the shock would make them ill, if it did not kill them and with \$15,000 in proceeds from the farm they would not be eligible for SSI. Now, where could they go that they could maintain their independence and dignity as they are doing out there on this farm? I think it is very unfair, that their homestead cannot be excluded and yet a city person can own a house up to \$25,000 and not have it counted. For rural people the little farm is as much their home as four brick walls are to a city person.

Now, I would like to tell you of an even worse case of the Parkers who live just outside of Knoxville.

Mrs. Blanche Parker is 66 years old. Mr. Parker, her husband, is 76. He receives \$81.80 in Social Security. She gets \$116.10, for a total of \$197.90. They each have a life insurance policy, hers is \$1,000, his \$500, for a total of \$1,500.

They have a very modest home, the simplest kind of shelter, clean and neat, but just adequate. However, their house is surrounded by the rockiest, hilliest, poorest land you ever saw. The Knox County trustee's office says this farm is assessed at \$3,788. And here again, the farm cannot be excluded because it is not a \$25,000 house.

I cannot think of anything that they could raise on this farm. They have used it at one time for pastureland but they say now the fertilizers they have to put on the poor ground out there would cost more than they would get out of the hay. This is another one of those places where you could not even raise greens, as rocky and hilly as it is.

These are inequities that I would like to see cleared up. I do not feel they were ever intended to be in the law, but I am afraid it will take your work here to get it corrected for these poor rural Americans who never could get here to tell you their problems.

In fact, when Mr. Hutton suggested I join him as a witness this morning, I was reluctant at first. But then I thought, maybe I can tell the story for the SSI people in rural Tennessee and maybe we can all work together to improve our fellow man's lot.

Senator CURTIS. Thank you very much. I am pleased you came to give us this very valuable testimony.

Senator BROCK. I know the territory you are talking about very well and I know the Ottinger case. I do not really understand—I think the Senator from Idaho and I have the same question: What it is in the regulations that precludes the SSI—

Miss THORNBURGH. I do not know either. I want to know. Is it a matter of local interpretation?

Mr. HUTTON. Mrs. Marks can answer that.

Mrs. MARKS. Senator, houses are excluded from resources that are counted for eligibility for SSI. Eligibility is based on need. Need is determined by income and resources. A house that the person lives in is excluded as a resource up to the value of \$25,000. However, it is treated literally as a house. Therefore, if you have somebody who owns a farm, that is a resource that is not excluded. I think it is a semantic program.

Senator CHURCH. Let me be sure I understand what you are saying, if I may, Senator, as a followup.

Suppose the person had a house located on a small acreage, say 5 or 10 acres. If it was poor land and if the house and the land together were worth less than \$25,000, still that person would not be eligible, am I correct?

Mrs. MARKS. That is correct.

Senator CHURCH. Though a person living in a city on a small lot with a house that was worth less than \$25,000 would be eligible?

Mrs. MARKS. That is correct, sir.

REGULATIONS DISCRIMINATE AGAINST RURAL PEOPLE

Senator CHURCH. Then the regulations clearly discriminate against rural people by approving different standards to them if they own more than a lot, even though their actual economy position could be inferior to the person owning a house in the city who is declared eligible?

Mrs. MARKS. Absolutely correct. I do not know if the inequity lies in the regulation. It may lie in the language of the law.

Senator CHURCH. We must look very carefully to the law itself to see.

Mrs. MARKS. Yes. Miss Thornburgh wanted to illuminate that point for you gentlemen.

Senator BROCK. I understand Sumner Whittier of SSI is here and I wonder if we could ask him.

Mr. WHITTIER. What they say is correct. What was at the beginning of the program, we quickly discovered that inequity. There were a number of situations in Tennessee and in Alabama and that has changed and if they would reapply, I am sure that they are at this point eligible.

Senator CHURCH. That is good to know because it was apparently a matter that could be corrected by changing the regulations themselves.

Mr. WHITTIER. Yes; it was all changed by regulation. It did have a very severe effect exactly as described and as quickly as we became aware of it, we did change it.

Mr. HUTTON. I would like to ask if they publicized that because Miss Thornburgh said they did not know of it last week and she has operated the outreach program.

Senator CHURCH. I think every effort should be made to make it known that these regulations have been changed, if that is the case. Perhaps these hearings will help publicize this good news.

Miss THORNBURGH. Does the Social Security office in Knoxville know this has been changed?

Mr. WHITTIER. The information has been sent out, but if they do not at this moment, I assure you by 5 o'clock tonight they will.

Senator CHURCH. Good. You have gotten that much.

Senator BROCK. That will take care of Tennessee anyway.

Mr. WHITTIER. Yes.

Mr. HUTTON. May we move to Minneapolis?

Senator BROCK. I thank you. Go ahead.

Miss THORNBURGH. Thank you.

Mr. HUTTON. Mrs. Bea Kersten of Minneapolis.

**STATEMENT OF BEA KERSTEN, DIRECTOR, SENIOR AIDES PROJECT,
AND AFL-CIO COMMUNITY SERVICES DIRECTOR, GREATER
MINNEAPOLIS AREA, MINN.**

Mrs. KERSTEN. It is no simple task to follow Bill Hutton and Lucy Thornburgh. I would like to limit my remarks somewhat and yet, I am afraid if I don't stick to my script, I will get carried away.

Mr. Chairman, and distinguished members of the Special Committee on Aging, my name is Mrs. Bea Kersten. As program director of the senior aides project and director of community services activities. AFL-CIO, Greater Minneapolis area, I am pleased indeed, for the opportunity to be here today, to share with you some of the problems, concerns, and experiences in the area of human need, since the advent of the SSI program, January 1, 1974.

On behalf of Minnesotans, the poor elderly: infirm, disabled, blind, the many workers who serve them; and personally, may I congratulate you for addressing yourselves to an early assessment of the degree of effectiveness of the SSI program.

Minnesota now has a population of close to 4 million—one-third residing in the Greater Minneapolis area—of which approximately 425,000 are elderly.

January 1, 1974, saw 29,600 conversions including OAA, AD, and AB from welfare roles to SSI.

There was indeed chaos for a large number of those 29,600 recipients. Information regarding delays and mistakes spread like wildfire which was certainly not conducive to promoting the program.

The SSI-Alert recruitment and training got off to a slow start and was in operation only 3 months. Red Cross, the SSA, and the SSI-Alert directors were disappointed in the response to the call for volunteers. Of the 30 who completed training in Minneapolis, our office alone provided 12. There is no effective information or publicity program on SSI in Minnesota.

To date, according to information given July 12, by the SSA office the Minneapolis office has certified only 2,000 additional persons as eligible for SSI; the figure is approximately 6,000 for the State. I hasten to add, there has been considerable reference recently to SSA and the danger of its funding running out—this worries many seniors.

ONLY 2,000 SSI ELIGIBLES IN MINNEAPOLIS AREA

As one who has worked with people problems for 22 years, and with several hundred volunteers, including 80 senior aides, who work with people and people problems every day—I find it shocking that our system has found only 2,000 SSI eligibles in the Greater Minneapolis area since January 1.

People cannot be expected to respond to something they do not know about, or understand.

The feedback I get, which has been substantiated by many others who work with the elderly poor, the blind and the disabled is:

(1) People are distrustful and fearful of the new Government programs.

(2) They feel being subjected to a means test is demeaning and degrading.

(3) Minneapolis had a lien law which was repealed in the 1972 legislative session; however, too many people still feel the Government will take their home away if they get any kind of financial assistance other than SSA.

(4) Many with minimum SSA say they would rather struggle along than go through all that redtape.

(5) Last, but not least, the \$166 is in reality a miserly amount when one takes into account the double digit inflation.

While the work I'm paid to do is in the urban area—Greater Minneapolis—I do, in fact, have many contacts and handle many referrals from out-State as well as out-of-State.

In the social welfare field there is a high degree of confidentiality. However, two clients who said please use our names, responded as follows—both reside in rural northern Minnesota, in the Bemidji area:

Mrs. Marie Winn:

What I get now, I'm entitled to through Social Security. My husband and I worked for it. This little acreage is all I have, since Dad is gone. I don't want the State to take it away from me. I don't like all that red tape.

Mrs. Edith Jacobson:

I don't know. What I get now, isn't much, but somehow I get by. It ain't easy, with prices going up every day for food and medicine and doctors. But I just don't buy much at the grocery store no more. But I've got enough to bury me and that ain't no business of the Government.

It took a lot of reasoning and taking these people by the hand to get them to apply for SSI—moral support from someone they trusted was the key. Has the Government made provision for adequate staff to do this kind of job? It doesn't appear so.

Only the day before yesterday, I learned that our local SSA office will have a reduction in staff. When and how will they be able to effectively reach the 29,000 leads—SSA recipients with under \$166 per month—with a reduced staff, when they haven't been able to start an effective outreach effort to date?

UNLISTED NUMBERS, UNPUBLISHED LOCATIONS FOR SSI OFFICES

Two SSA satellite offices have been opened. Both in suburban areas. Both still have unlisted numbers and these locations are unpublicized. How meaningful can such unpublicized offices be to people in the area? Why don't they have the staff to man these offices?

May I prevail on you a few minutes longer to cite just two examples of referrals that came to me personally, not long ago.

Mr. X called, just furious, saying he's had severe health problems for some time, but tried to continue working. He'd missed a lot of work in the last 3 or 4 years. In 1973, his prescription drug bill alone was over \$1,200, while his doctor had told him he couldn't work any more in his condition. It wasn't until after January 1, 1974, that his doctor

said, "If you're lucky, you can live 2 more years at the most." That's when he applied for SS disability benefits. The interviewer who took his application said, "If your claim is allowed, you will get your first check August 1."

Someone told him to call me for help. He said, "All our savings are gone, mostly for doctor bills and prescriptions. What are we expected to live on?"

On questioning him, no one had explained SSI at the Social Security office. He wasn't aware of the 5-month, no-benefit provision of OASDI, and once he found out, he did not know where to turn in the interim. I got an SSI application, helped him fill it out and hand delivered it to a key person in the local SSA office. During the interim period, we got help for him through the VA. He was 59 years old.

Another example. A client was referred to me, saying the family had an emergency. This family, too, had sought help. The head of the household had a very sore mouth. He thought it was a tooth needing care. His dentist looked and said he had to go to the hospital. The man had cancer of the mouth. He had 30 cobalt treatments, lost vision in one eye, lost equilibrium, and applied for OASDI. No one explained SSI or suggested application be made. No one referred him or his family to general public assistance. The SSA staff are not social workers. Our office got the ball rolling. The client died 5 days after he was referred to me.

In talking with the SSA director as to why this case was neglected, the response was that it could happen for a number of reasons:

- (1) The staff needs time to "get used" to the new programs.
- (2) There is a shortage of staff.
- (3) "It takes time to assimilate all of the facts, and our workers are not social workers," he said.

We have an excellent welfare department in our county, with sensitive, well-trained social workers and good facilities. One of the problems seems to be the inadequate staffing and budget for Social Security offices. It is almost like what people don't know about they can't ask about or apply for and therefore less money goes out.

I find the annual report which I receive from our local SSA office, documenting the number of beneficiaries by county and for the State, a most helpful statistic. The annual report for 1973 is just now coming out. We usually get it by mid-July.

AVERAGE MONTHLY INCOME OF \$125.42

In Hennepin County there are 70,770 retired worker beneficiaries whose average monthly benefit is \$176.50. There are presently 6,005 disabled beneficiaries whose average disability benefit is \$189.84. They do not give a separate breakdown for four categories; namely: Dependents of retired workers, dependents of disabled workers, survivors of deceased workers, and special age 72 beneficiaries. These four categories in Hennepin County total 120,300. The average monthly income for this group is \$125.42. This is a classic example of the extent of the job that needs to be done in informing SSA recipients of SSI.

In closing, may I say that I feel that the Congress had indeed demonstrated its concern for the problems of the elderly through the Federal legislation which they have passed and which is pending. I hasten to add there are several ingredients missing.

I can't believe that when Congress passed a Social Security increase it was intended to bail out the housing authority. Yet, because of the financial bind ERDA finds itself in, it needs income from rent, and so some of the elderly's SSA increase goes to the housing authority.

The Department of Agriculture gains when seniors have to pay more for food stamps. Seniors pay more when SSA is increased, so part of their increase goes to the Department of Agriculture.

I realize that eligibility for medicaid varies from State to State. However, again what the person must pay, is based on income, and again when seniors receive SSA increases, it was like a "windfall" to the State welfare department. In other words, how much did the seniors have left in terms of additional buying power, to help them out of poverty? The elderly have had experience in managing finances for many years. They see this failure to retain SSA increments, not as a help, but as a "sham" to help other departments of Government.

May I share with you at least a portion of a letter from a dedicated, sensitive civil servant:

(1) I hear rumors that many persons who were determined eligible for aid to disabled by various county welfare departments may not be eligible for SSI benefits. The rather strict SSA disability standards are being used instead of the medical/social history used by Department of Public Welfare. It is my understanding that everyone receiving AD in December 1973, who was not receiving it in June 1973, will have to reestablish eligibility on basis of tough SSA standards.

(2) Many of you are acquainted with senior citizens housing authority developments. Originally, the tenant selection (priority) was based on urgency of housing need due to displacement or substandard conditions. This is . . . sound . . . when the housing authority goes into the "red" then the top priority becomes ability to pay instead of need which is exactly what has happened in Aitkin County. Seems to me this is more than just a slight deviation from original intent of such housing. If you have a senior citizen housing authority in your city or county, you may be interested in their financial condition. Many may be operating in the "black" by only a few hundred thousand dollars but if price of heating fuel goes up 6 cents a gallon they might be in the "red."

"Life is like a journey on a train
With two fellow travelers at each window pane.
I may sit by your side the whole journey
through
or I may sit elsewhere, never knowing you
Should fate deem me to sit by your side.
Let's be pleasant travelers, 'tis so short a
ride."

I'm sorry. I feel too few people have the opportunity to sit, side by side.

Thank you. I would defer any further remarks to the next speaker.

Mr. HURTON. Mr. Irvin Ryan, from Youngstown, Ohio, would like to introduce his statement in the record, but he will give a couple of highlights.

**STATEMENT OF IRVIN H. RYAN, EXECUTIVE BOARD MEMBER,
NATIONAL COUNCIL OF SENIOR CITIZENS, AND MEMBER, OHIO
COMMISSION ON AGING, YOUNGSTOWN, OHIO**

Mr. RYAN. Mr. Chairman, members of the Special Committee on Aging, my name is Irvin H. Ryan. I am an executive board member of the National Council of Senior Citizens of Washington, D.C., and 1 of the 12 members of the Ohio Commission on Aging, established

by Ohio's Governor, John J. Gilligan, as well as being president of the Northeastern Ohio Senior Citizens Council, which represents over 20,000 retired persons in four counties of our State; namely, Mahoning, Trumbull, Ashtabula, and Columbiana. I have served as director of the Mahoning County SSI-Alert project and am well aware of the failures and faults of this program.

As you know, the Supplemental Security Income program, commonly known as SSI, was designed by Congress to replace the adult welfare programs of aid to the permanently and totally disabled, aid to the blind, and aid to the aged. It was originally set up to assure a minimum income to every aged person who needs it. It was also to provide a similar income floor to our disabled and blind.

Administrative confusion, legislative omissions, and restrictive regulations have subverted the intent of the SSI law and could have left literally thousands of needy people without financial assistance. We are sure Congress did not mean this program to take away the benefits from our people; yet, that is exactly what nearly happened.

EXTENSION OF FOOD STAMP PROGRAM PREVENTS DISASTER

We are extremely grateful that the Congress passed the extension on the food stamp program. We would have had a real disaster in Ohio, because over 100,000 SSI recipients would have been ineligible for food stamps while their equally poor working neighbors who had small earned incomes would have remained eligible. However, that crisis was avoided because you gentlemen extended eligibility for another 12 months. For that, the people of Ohio and other SSI recipients all over the country are extremely grateful.

We must make sure that none of our elderly, blind, or disabled persons are denied their right to obtain cash assistance from the SSI program. I would like to briefly touch upon some of the areas where we feel change is needed.

In our area, we found there was a lack of an emergency assistance program through the Social Security Administration offices to meet the immediate needs of an applicant during the delays in determining eligibility, especially with regard to disability applicants.

We also found many needy people denied benefits under the SSI program solely because of their living arrangements. People who live in the household of another automatically had benefit payments reduced by one-third. Their needs were assumed to be less because of in-kind contributions from those with whom they live. This occurred regardless of the relationship of the persons with whom they live, or the financial status of the persons involved. The result was that people with no legal obligation to provide support to the needy persons and who themselves had little or no income, were assumed to contribute at least one-third of the applicant's subsistence.

One of our applicants was permitted to live in one room of a friend's home because the applicant was unable to work and had no income. His SSI benefits were immediately reduced by one-third because of the kindness of this friend in permitting him to live in the same household, although the friend had only sufficient income to take care of his own food, utilities, and so forth, and could not contribute to the applicant's welfare in any other way except in letting him use a room.

Another applicant, an elderly lady living in her own home but re-

quiring daily personal care, could have received \$24 in SSI to supplement her \$130 a month widow's Social Security check.

But because her son denied his own family to pay \$200 a month to give his mother necessary care, the lady was denied the \$25 SSI supplement. If the son ceases to give her this necessary care, she can receive a paltry \$24 in SSI which would not help her much. The son must deny his own family to do all for her or do nothing so that his mother can get next to nothing on SSI.

Such a policy leads to putting people in long-term care facilities at an increased cost to the Government, in order to get around the inadequate benefit level of SSI. Yet, such people are perfectly able to live in their own home for less than the cost of the long-term care facility.

These people are placed in nursing homes and forced to submit to inhumanities, poor care, and unhappiness at being unnecessarily uprooted from their own homes simply because of the omissions of our Government. There is much that Congress could do to eliminate such absurdities.

Another problem with SSI eligibility is the personal and real property being counted as resources. They were assigned such unrealistic values that our people were "appraised" out of needed money.

Although in my particular county, we found the SSA offices most cooperative in working with us on the SSI program, in other parts of our State we received reports of disinterest, delays, and in some cases, downright refusal to participate.

ATTEMPTING TO LIVE ON \$50-\$56 PER MONTH

In our search for possible eligible applicants for SSI who might not yet have heard of the program, we found pitiful cases where people were attempting to live on incomes as low as \$50-\$56 per month. How it could be called living was beyond the imagination of our investigators.

Many of them either had no families, or their families were in the same pitiful state of public neglect as themselves. Here again, the automatic one-third reduction in benefits was a penalty for living in one another's household even though none of them had enough to buy proper food, health care, and so forth, or merely handle daily necessities.

Although the SSI program as it presently stands is unequal and improperly administered in many ways, we feel it is a much-needed program and could do more to alleviate suffering and neglect of our poorer population if its faults and inequities were corrected.

Surely, as members of the Senate Special Committee on Aging, you realize how imperative it is to correct these problems and make this SSI program effective, as you are all reasonable men with concern for your fellow human beings.

Senator CHURCH. As I understand, if an applicant for SSI assistance lives in a home other than his own, it is assumed that the household is contributing at least a third of his subsistence. Is that correct?

Mr. RYAN. That is correct. However, the household he lives in may be unable to subsist itself.

Senator CHURCH. Thank you.

Senator Brock, do you have any questions?

Senator BROCK. No questions.

Senator CHURCH. Are you finished, Mr. Hutton? Does that complete the panel?

Mr. HUTTON. That completes it, Mr. Chairman. It is all in the record.

Senator CHURCH. We appreciate the testimony very much. We are moving a little late, so thank you for expediting the testimony.

Our next witness is Jacquelyne Jackson, vice chairman, National Caucus on the Black Aged; associate professor of medical sociology, Duke University Medical Center.

**STATEMENT OF JACQUELYNE JACKSON, PH. D., VICE CHAIRMAN,
NATIONAL CAUCUS OF THE BLACK AGED; ASSOCIATE PROFESSOR
OF MEDICAL SOCIOLOGY, DUKE UNIVERSITY MEDICAL CENTER**

Dr. JACKSON. Senator, our esteemed NCBA chairman, Echart C. Jackson, regrets his involuntary absence from these hearings today, but I am here to testify in his place. I am Jacquelyne Johnson Jackson, vice chairman of the National Caucus on the Black Aged, Inc.—hereafter, NCBA.

NCBA has been appreciative of and impressed by previous efforts of the U.S. Senate Special Committee on Aging to assist elderly persons. We have been even more appreciative of and impressed by this committee's recognition of and concern about these elderly unduly affected by racial discrimination and poverty. Therefore, we welcome and thank you for this opportunity today to testify before you about selected impacts of Public Law 92-608, title XVI—hereafter SSI—upon black elderly, with especial reference to its positive developments and our concerns, the most important of which are set forth below. Although our specific focus is upon black elderly, our assessment of these developments, as well as our concerns and recommendations, are, in all probability, applicable to nonblack elderly and to nonelderly blind and disabled individuals.

NCBA's assessment of SSI has identified at least three positive developments. First and foremost is the legislative establishment nationally of the principle of guaranteed income for indigent elderly, blind, and disabled persons, followed by implementative efforts nationally. Finally, the implementation of that legislative intent has provided some additional and much-needed income for many eligible persons, and as a byproduct, an increasing number of Americans of varying ages have become more aware of the serious income deficits confronting many elderly, blind, and disabled persons within our midst. In some instances, a further byproduct has been increased social services to needy individuals contacted through the SSI-Alert program.

Thus, it should be clearly stated that NCBA wholeheartedly supports the major intent of SSI.

SSI HELPS PERPETUATE POVERTY

Our most overwhelming concern is the fact that the actual monetary amount guaranteed by SSI is deplorably and perhaps inexcusably low, and particularly so when measured by the Federal Government's own poverty standards. In other words, while SSI does provide some income, it merely helps to perpetuate poverty. If our information in-

dicating that the present Federal poverty level for an urban individual is not more than \$2,330 annually, and for farm areas not more than \$1,980 annually, then it is obvious that the current SSI income guarantee is ineffective in eradicating elderly poverty. In the words of our chairman, SSI has "resulted more in 'guaranteed annual poverty' than in 'guaranteed annual income' primarily because of the meager benefits available and the mass of confusion involved in establishing eligibility," which brings me to our second major concern.

Although the Social Security Administration was, or should have been, aware of SSI's passage and inception date of January 1, 1974, implementative efforts by it singularly or in combination with other governmental units appear woefully inadequate as measured by substantial proportions of eligible recipients failing to receive their benefits for 1 or more months since then, and additionally, by many potentially eligible persons yet apparently unaware that they should be recipients. When one considers the relatively high degree of success our country has experienced in such phenomena as military draft registration or polio vaccination, the cynical among us may wonder aloud about differential efforts exerted under such differential circumstances.

A third concern has been the lack of sufficiently released data about both estimates of potentially eligible persons and their approximate residential locations, inasmuch as such data could—when employed properly—be extremely helpful in increasing efforts to enroll potentially eligible beneficiaries so that they could actually become recipients.

A fourth concern related to the immediately preceding two has been that of insufficient moneys appropriated or provided to various groups, principally within States, to assist in SSI-Alert.

A fifth, and final, concern is that of the relationship between SSI and other Federal programs. For example, while we clearly understand that SSI is dissociated from Social Security as that term is commonly used, we do not understand why, SSI is a form of Social Security and should be recognized as such. The present trend toward such dissociation may well lead to individual labeling of SSI, thereby thwarting further efforts to aid elderly poor. We are also concerned about relationships between SSI and such other programs as those designed to provide employment, food stamps, or housing for the elderly. We believe that, to the extent possible, the Federal Government should refrain from "giving with one hand, and taking away with the other hand."

AGE REQUIREMENT SHOULD BE LOWERED

More specifically, we believe especially that incentives to work should not be curtailed by SSI. This is particularly important inasmuch as a major distinction between the nonpoor and poor aged is that of earnings. We are also concerned about the somewhat arbitrary establishment of 65 years of age as the minimum age of participation for elderly persons, and believe that the age requirement should be lowered to 60 years of age, since that earlier age would help to reduce somewhat present inequities affected by racial discrimination.

We have set forth some recommendations which arose from our assessments of SSI developments and our concerns. Our major recommendations are as follows.

Recommendation No. 1: The minimum guaranteed income for SSI should, by all means, exceed the Federal poverty level threshold, with provisions for adjustment to the cost-of-living index. Preferably, of course, it should even exceed that threshold. Following our recommendation to the 1971 White House Conference on Aging, we still propose a minimum of \$6,000 for a single individual, and \$9,000 for a couple, also with cost-of-living index provisions. We recommend now that Congress amend Public Law 92-608 by raising the minimum guaranteed income above the Federal poverty level thresholds, and provide therein for appropriate cost-of-living index adjustments.

Recommendation No. 2: Inasmuch as SSI implementation should and could be improved, we recommend the development of a massive alert, sufficiently funded by the Federal Government, involving door-to-door canvas and outreach with interpretations of benefits and entitlements presented successfully to potentially eligible persons within the immediate future.

Recommendation No. 2.1: The appropriate Federal agencies should provide necessary and sufficient demographic data helpful in this enterprise.

Recommendation No. 2.2: Elderly persons, including elderly blacks, should be the primary workers involved in such door-to-door canvas and outreach. Even more important, elderly blacks should be utilized more fully in decisionmaking roles related to such a program.

Recommendation No. 2.3: Every effort should be made to involve canvas and outreach workers in contacting potentially eligible persons of any race, sex, or other group. That is, the Federal Government must carry out its responsibility in encouraging providers of services within our society to provide services to all, irrespective of race, sex, and age, and recipients of services must learn to receive services from providers, irrespective of race, sex, and age.

Recommendation No. 3: SSI literature should not indicate that SSI is not Social Security, and all persons employed to work with SSI in any manner should also be instructed to cease from this practice.

Recommendation No. 4: We recommend that Congress lower the minimum age eligibility for the elderly for SSI to 60 years of age, inasmuch as a significant proportion of minority elderly—and especially black females—between the ages of 60 and 64 dwell in dire poverty and a guaranteed, sufficient income, as opposed to labor force employment, will constitute a more practical means of reducing that poverty at this time. In this light as well, we also recommend anew that Congress lower the minimum age eligibility requirements for primary beneficiaries of OASDHI under the Social Security Act for black males so as to reflect extant racial inequities arising from differential life expectancies between black and white males.

AUTOMATIC ELIGIBILITY FOR MEDICARE-MEDICAID BENEFITS

Recommendation No. 5: We recommend that all elderly SSI recipients automatically become eligible for Medicare-Medicaid benefits without paying additional premiums for such coverage and without having such premiums deducted from their monetary entitlements under SSI.

In conclusion, may I reinforce our grave NCBA concern about the increasingly widening income gaps between black and white aged over

the past several decades, emphasize the importance of congressional passage of a meaningful national health insurance program within the immediate future, and urge action now to insure enrollment of all potentially eligible SSI recipients in SSI. In that connection, while we were unable to obtain precise data about black enrollment in SSI during its first 6 months of operation, unofficial data obtained from the Office of Research and Statistics, Social Security Administration for the first 3 months—that is, January 1–March 31, 1974—indicated an enrollment nationally of 452,285 elderly blacks which, according to our best estimates, means that approximately 47 percent of such elderly blacks were not enrolled, and, therefore, not receiving their entitlements, as of March 31, 1974.

We trust that the U.S. Senate Special Committee on Aging will continue in its efforts to upgrade both the quality and quantity of life for our Nation's elderly, with particular emphasis upon income, health, and housing. We also hope you will give particular consideration to our recommendations. If we can be of assistance in these endeavors, we shall be happy to cooperate, and we hope that we will again be able to share with you our assessment of positive developments within and concerns about SSI over its remaining operational life.

Senator CHURCH. Thank you, Dr. Jackson. Tell me, do you believe that the minority groups among the aged, blind, and disabled are faring better under SSI than they were under the previous assistance programs?

Dr. JACKSON. That has to be determined by particular geographical locations, primarily in Northeastern States, that are not without exceptions, in Massachusetts and some seven States. Some are regular and some are not.

Senator CHURCH. If we can reach all of the eligibles and bring them within the program, do you think that in general proposition, they will fare better than they had fared under the previous program?

Dr. JACKSON. We believe, given the better distribution, that the majority will fare better and as we suggested, the minimum income was increased, then they would all fare better under this national program than under the previous programs.

FIRST STEP TOWARD ABOLISHING POVERTY

Senator CHURCH. Well, I agree that the congressional objective established under the SSI was an endeavor to reach the people at the lower end of the scale and hope we could abolish poverty among the elderly and of the blind and disabled, as a first step toward ultimately abolishing poverty everywhere in this country. But here is the case of the people with the greatest need needing help and until we establish the income level at a point above that which the Government itself defines as poverty, we will not achieve that objective.

I would hope that even if budgetary considerations do prevent the Federal Government from taking that step any time soon—judging from the administration's witnesses this morning that seems to be the viewpoint of those who now manage the program—but, possibly to increase the State supplementary assistance might be established more quickly—I do not know. That depends on each State with the decision made in 50 different State legislatures. But, I certainly do agree with

you that the sooner we can establish the income level at a point above that which we ourselves define as poverty, the sooner we can meet the needs of the poor.

Senator Brock, any questions?

Senator BROCK. No questions.

Senator CHURCH. Thank you very much, Mrs. Jackson.

We next have a panel of witnesses. I understand that Ralph Abascal will introduce the panel and then, Ralph, you will proceed to take charge of the presentation and I would appreciate it.

**STATEMENT OF RALPH S. ABASCAL, DIRECTOR OF LITIGATION,
SAN FRANCISCO NEIGHBORHOOD LEGAL ASSISTANCE FOUNDATION,
SAN FRANCISCO, CALIF.**

MR. ABASCAL. Thank you, Mr. Chairman. My name is Ralph Santiago Abascal. I am director of litigation for the San Francisco Neighborhood Legal Assistance Foundation, San Francisco, Calif. Mr. Chairman, I, my colleagues here and throughout the country, and the millions from the SSI "family" throughout the Nation are deeply indebted to the committee for bringing us together and giving us the opportunity to express our experiences—more appropriately, the experiences that have befallen the millions of aged, blind, and disabled poor throughout the country—and to express some of our conclusions and suggestions which are founded on that experience.

These hearings constitute a recognition of and a sensitivity to the fact that it is by no means too early for Congress to review the decisions that it made in the fall of 1972 and the decisions that HEW has made since then. A very grave danger lies in the attitude that HEW must be given a substantial period of time to "work the bugs" out of the program.

We must recognize that there is more than ample experience upon which many improvements can now be suggested. The lives, the health, and the dignity of millions of the Nation's helpless poor are simply too dear for the Congress to fail to now make a strenuous effort to recognize and act upon these areas of the program which merit immediate modification. It is encouraging to hear that Congressman Mills, during the recent deliberations on Congressman Corman's bill which continued food stamp eligibility for SSI recipients, expressed a willingness to undertake hearings and propose SSI amendments soon after the 94th Congress convenes in January 1975. That is none too soon.

Let me introduce the other members of our panel and describe briefly what each of us will concentrate upon. First, you should note that all of us are employees of legal services programs created by OEO. I will concentrate upon a number of problems in the application process and closely related areas of the administration of the program. Dr. Gary Bickel, the only nonattorney in our quintet, is an economist with the legal action support project of the Bureau of Social Science Research in Washington, D.C. He will discuss perhaps the most critical problem faced by SSI recipients, the adequacy of the benefit levels. Jim Bensfield, of the Washington, D.C. office of the National Senior Citizens Law Center, will elaborate upon the SSI income and resources provisions in both the statute and the regulations. Robert

Brown, director, Legal Services for the Elderly, Syracuse, N.Y., will discuss a critically important aspect of the program, the appeals process. Finally, Mrs. Patricia Butler, senior staff attorney with the national health and environmental law program, Los Angeles, Calif., will discuss aspects of the interrelationship between the SSI and Medicaid programs. Each of us will discuss each of these topics briefly and then submit ourselves to questioning and discussion as a panel. However, the best question is one that is fresh so please do interrupt us if and when our presentation prompts a question.

Probably the most visible SSI problem today involves the application process and the closely related aspect of prompt, regular, and proper payment of benefits to those who have been determined to be eligible.

A very substantial, if not the most substantial, cause of all of these problems can be traced to a HEW decision made in early 1973. The initial plan for implementation of SSI was based upon a 19,000 increase in staff. Shortly after Secretary Weinberger took office, an OMB-HEW decision was made to reduce that figure to 12,000. The results of that decision have been devastating. Let me highlight some of them.

Consider some of the problems faced by new applicants. The first problem is that many people who go to an SSA office to apply are not able to do so, at least in a formal and important sense. They are confronted with what are called "informal denials." Let me describe how this operates by telling you the tale of one of my clients, a 79-year-old Irish spinster.

"INFORMAL DENIAL" AT DISTRICT OFFICE

Ms. W. went to a San Francisco SSA district office to apply for SSI when she first heard of the program in January of this year. During the course of an interview, she was asked if she owned her home or rented. She said that she owned her home. The interviewer then asked what the assessed value was. Ms. W. answered that it was \$7,500. The interview was promptly terminated and Ms. W. was told, orally, that she was not eligible because of excessive property ownership. A written application had never even begun to be taken. This is called an "informal denial" because no written application is taken.

A few days later, Ms. W. tried again at another district office. Again, the initial interview was promptly terminated when the question of real property ownership came up. During the next 3 months, Ms. W. persisted; unavailingly, she went to a local Congressman's office for help; she then also "struck out" at several local "helping agencies"; finally, she was referred to our office by a State assemblyman's office.

Soon after our interview began, we were able to reconstruct what had happened to Ms. W. during her two attempts to apply. As soon as she said that the assessed value of her property was \$7,500, the SSA interviewer's mind shifted to the property evaluation rule: $\text{value} = 4 \times \text{assessed value}$ (that is, $4 \times \$7,500 = \$30,000$). Since the maximum allowable value of a residence is \$25,000, each interviewer went no further. By going just a little further, as we did, they would have discovered that Ms. W. owned a two-story building with two flats and that she rented the entire lower flat as well as two rooms in the upper flat in which she lived. In other words, the value of her

“residence”—part of the upper flat—was clearly under \$15,000 and thus within the limit. (An SSA recipient is allowed to retain rental property, without limit on its value, as long as it brings in a fair return.) Clearly, Ms. W. was eligible. A quick phone call to a local SSA district office was made and within a couple of weeks, her first check arrived. The district office was also profuse with its apologies.

Now, she had persisted for a number of months trying to get on this program and confronting these informal denials in which the first factor which causes ineligibility terminates the interview.

The local office apologized and these apologies were sincere. However, these apologies can in no way replace the several hundred dollars Ms. W. lost in benefits for January, February, March, and April. These benefits were lost because of two rules and SSA's toleration of this practice of “informal denials.” The first rule is that an applicant's right to SSI benefit begins only on the first of the month in which a written application is filed. The second rule is that an appeal can be initiated only with respect to a formal, written denial. Hence, these two gross errors made in Ms. W.'s case in January and February cannot be corrected.

9-TO-1 RATIO OF UNAPPEALABLE DENIALS

The case I have just described is not an isolated instance. It happens daily all over the country. Nationally, as of May 29, 1974, “informal denials,” that is, unappealable denials, outnumber formal, appealable denials by a 9-to-1 ratio; the actual figures are 101,934 formal denials and 926,340 informal denials. The regional breakdown is as follows:

Regional office	Formal denials	Informal denials	Ratio
Boston.....	4,552	36,340	7.9:1
New York.....	9,648	65,851	6.8:1
Philadelphia.....	8,967	81,964	9.1:1
Atlanta.....	30,291	344,601	11.4:1
Chicago.....	7,743	105,007	13.6:1
Cleveland.....	5,554	51,757	9.3:1
Kansas City.....	4,649	51,242	11.0:1
Dallas.....	12,596	134,233	10.6:1
Denver.....	2,916	20,219	6.9:1
San Francisco.....	12,191	45,858	3.8:1
Seattle.....	1,763	21,097	12.0:1
National.....	101,934	926,340	9.1:1

The ratio of informal to formal denial varies from a low of 3.8:1 in the San Francisco region to a high of 13.6:1 in the Chicago region. The cause of this is simple. Every day each office is flooded with applicants. By May 29, 1974, 3,856,564 people have appeared at or called SSA offices trying to get on SSI.

This is not an isolated instance but we cannot say precisely how frequently this happens, a truly incorrect decision. However, we do have data on how many informal denials there are. They exceed over 1 million. What is even more interesting and important is the ratio of informal denials to formal denials. The total figures for the Nation up until May 29 were 101,934 formal denials. That is where there was a formal written application, 926,000 informal denials, a national ratio of 9 to 1. It varies from region to region but the lowest ratio in the San Francisco region of 3.8 to 1 and in Chicago, it is in excess of 13 denials to 1, no appeal rights, from the incorrect decision to one.

Senator CHURCH. Tell me, in the case of an informal denial, does the Social Security office itself make any record of it?

Mr. ABASCAL. Well, that varies. In some offices, they only note that an informal denial occurred—they don't record the name of the person or any other facts. In some offices, the name and address of the applicant is also kept. I think that serious problems exist within Social Security because they are unable to determine the extent to which there are incorrect decisions in informal denials.

Clearly what they do not keep is a record of the facts which they have drawn out of the applicant up to the time they found the disqualifying factor; so, there is no way for them to determine how frequently errors are made in these millions of cases.

200,000 TO 300,000 INFORMAL DENIALS

Now, they do acknowledge an error rate on completed initial application in excess of 35 to 40 percent. So, taking that same error rate, where there are far more intensive investigation than in the case of informal denials, at least we can talk of perhaps an area of 200,000 to 300,000 people informally denied eligibility with no appeal rights. Many who are turned away keep going back and forth to the district office or the other agencies. If they are eventually determined eligible, they lose the money that they should have been getting from the date they first contacted a district office.

Senator CHURCH. Don't you think most would not be that persistent, once they are told they are ineligible, they assume they are ineligible?

Mr. ABASCAL. Yes, when you take into account other facts—the problem of stigma, physical disability, transportation problems, and so forth, many people would not have been as persistent as she was.

Now, I think that the informal denial process presents one of the serious dilemmas within the program.

Senator CHURCH. How would you correct it?

Mr. ABASCAL. I would eliminate it completely. But to eliminate it completely, we would require a considerable increase in staff. Since SSA began taking applications, nearly 4 million people have inquired.

I think the basic point that I want to make is that they are understaffed and overworked. The claims representatives, those people on the "front lines" taking applications are, simply speaking, overworked and undertrained. In the first 11 months of fiscal year 1974, over 10 million hours of overtime was logged by SSA employees. Based upon the hours worked in May 1974, the present rate of overtime will mean that 14 million overtime hours will be logged in fiscal 1975. These figures are for the entire agency. The overtime on the front lines, that is in the district offices, for fiscal 1974 has jumped nearly fivefold from the previous fiscal year—from 1.2 to 5.2 million hours.

That is over a fivefold increase and it reflects the degree to which they are overworked. With that kind of overwork and with all the other innumerable pressures, confusion and frustration, it is perhaps understandable, but nevertheless inexcusable, that more than 9 out of 10 applications are terminated before an application form is completed. The first factor which seemingly disqualifies an applicant is seized upon as the basis to get on to the next person since each wait-

ing room is full of people who have been waiting for hour after hour.

If they would go further in the application process, they would have discovered many other factors. That kind of information is only brought out in a full interview.

Now, other examples and I know this may sound unbelievable, but I have heard of many instances in my area where people apply on the basis of disability and are told at the time they inquire, "You do not look disabled," and are summarily denied. No investigation of their condition is made. They just say, "You do not look disabled," and that's it.

NO INFORMATION ABOUT APPLICANT RETAINED

Perhaps one of the most dramatic examples is the San Francisco woman who is partially paralyzed from gunshot wounds suffered at the hands of the "Zebra" killers. Several times she was informally denied in that cursory manner. Not only can I not tell you how frequently this happens, but what is far worse is that HEW cannot either. HEW has absolutely no way in which they can determine the degree of error in "informal denials" since the only information that is retained is the ultimate conclusion. No information about the applicant is retained.

The practice must stop and it must be stopped either by a congressional directive or by regulation. If a complete application would have been taken from Ms. W., the source of her income would have disclosed the erroneous nature of the initial conclusion. Given the 25-percent error rate that is conceded by HEW to exist in the 1.3 million applications that have been fully processed, I feel safe in estimating that there are at least 100,000-200,000 Ms. W.'s among the 926,000 informal denials.

Turning to those who do file applications, all is not well either. Interminable delays are occurring in processing applications to completion; that is, to the point of putting either a check or a denial notice in the hands of an applicant. Of the cumulative total of 1.7 million applications, 175,000 were pending in the district offices at the end of May. The cumulative total of those formally denied was 102,000. The remaining 1.4 million were found financially eligible. Of these, nearly 200,000 were disability applicants. Only after such an applicant is found financially eligible is the process of determining medical eligibility begun. That leaves 1.2 million that the district offices had determined were ready to be issued a check. If we add that figure to the 3.2 million converted from the State rolls, subtract those who were terminated since December 1973, there should be 4.2 million recipients. (I have seen no SSA data on terminations; I understand SSA uses an estimate of 1.5 percent per month—this coincides with long-term experience in California.) However, the latest data shows only about 3.5 million. What became of the 700,000 which the district offices determined to be eligible? They were rejected by the computers because of district office errors. In early May, the SSA national office discovered that these were accumulating untouched in the district offices.

All district offices were required to take an inventory of all of these computer rejects—it is called the "YY" report—in order to determine not only the total number but also to find out how long they have been sitting around—for example, 0 to 15 days, 15 to 30 days, et

cetera. A committee of the California Legislature has thus far been unsuccessful in its attempts to obtain the initial inventory. What they did discover was that in just the first 2 weeks in June, over 144,000 rejected applications were added to the total. I have been told that, like the slow tortoise on the fast treadmill, they are further behind now than they were in May. Although I have not seen the data, I feel quite confident of the fact that when the computer figures are in, the critically necessary diversion of staff to the computer rejects will have resulted in a considerable lengthening of the initial processing time. What we have basically is a 5-fingered hand trying to plug a 10-hole dike.

Let me give you just another example. Due to an error in computer programing most eligible couples have been receiving a single individual's grant since January—that is, \$140 instead of \$210. Because of an insufficient number of staff and because there are so many other programing and other errors that are considered to be of even greater importance, this error will not be corrected until October of this year. So, for 10 months, two must live as cheaply as one.

INTERIM PAYMENTS FOR PRESUMPTIVE DISABILITY

Consider another example. The law provides for up to 3 months of interim payments to disability applicants on the basis of presumptive disability; that is, before a final decision is made. Again, although I have not seen the data, I am told that less than 2 percent of all disability applicants have received presumptive disability payments. Again, I have only seen some of the data so that I cannot give you a complete breakdown of how long the disability applicant must wait but I have been told by SSA staff that it is very rare for a case to take less than 3 months.

If time only permitted, I could give you many other examples of significant problem areas. Also, if we had more time, I would like to explain what I consider the unfair and unwise effects of several policies embodied in both statutes and regulations. But, even if Congress agreed with my judgments and enacted these changes, today, the Department would have considerable difficulty implementing them.

Let me give you one example and you will see what I mean. A single individual presently receives \$146 per month; a couple receives \$219, that is, \$109.50 each. If a couple separates, they each continue to receive one-half of a couple's grant for the next 6 months. Why? Because the statute declares them to be a couple for 6 months after they separate. True, some separated couples reconcile and resume their marriage. That possibility cannot be predicted with certainty but an individualized investigation can lead to reasonable safe conclusions in most cases. Why each day thousands of such investigations and decisions are made in every State in the AFDC program. But for SSA to follow those practices would impose an even greater burden on a staff that is nearly going under.

I hope that the point I want to leave you with is more than clear: SSA needs more people to do the work. You cannot legislate more staff directly. Nor can you, I fear, affect the problem significantly by your persuasive powers alone. The overall Federal staff reduction goals of Secretary Weinberger and OMB are too explicitly stated for that to happen.

What I think you must do is legislate away the "informal denial" thus giving all who attempt a fair and equal chance to become a recipient and then impose precise time limits regarding final action in the application process to insure that those who are entitled to SSI begin to receive it promptly. For years, HEW required the States to make final decisions on aged and blind applications within 30 days and within 60 days in disability cases. The States learned to live with these limits. So can HEW.

Dr. Bickel has far more current data than I have. I would like to refer to him to bring the committee up to date in respect to the delays of the application process.

**STATEMENT OF GARY W. BICKEL, PH. D., RESEARCH ASSOCIATE,
LEGAL ACTION SUPPORT PROJECT OF BUREAU OF SOCIAL
SCIENCE, INC., WASHINGTON, D.C.**

Dr. BICKEL. Thank you. A few months ago this was a growing critical problem area within the SSI program, reaching crisis proportions. I think that now we need to recognize that, from the overall available data, it appears that the corner has now been turned. It is a matter of being on top of the growing number of applications coming into the Social Security district offices, and they are beginning to process these. It appears that the Social Security Administration is beginning to lick this problem, although it is still of giant proportions.

A few months ago, it appeared that 700,000 to 800,000 applications had piled up within the system. Now, the number of claims pending has been worked down to approximately 500,000 so in an overall sense, it appears that the crisis phase is past, but that it is still a very major problem.

On the basis of these data, I would say that the average processing time must be at least 3 or 4 months, and for many applications considerably longer than that. So while we have here the beginnings of this success story, it is too soon to relax in any sense whatsoever and feel entirely optimistic about it.

Senator CHURCH. If the processing lasts, on the average for 3 or 4 months from the time when the eligibility is determined until the first check is paid, does it relate back to the time of the application?

PAYMENTS FROM MONTH OF APPLICATION

Dr. BICKEL. Yes, it does. Once a person has filed a formal application, then if ultimately found eligible, he is supposed to receive those payments from the month of application. This, of course, is the distinction with those people who are informally denied without ever filing an application, and which is a much larger number than are being formally denied, well over a million as of this point.

Senator CHURCH. Thank you.

Mr. ABASCAL. I think another factor should be considered. To deal with these several hundred thousand applications backing up, they assigned them the highest priority. However, they took staff away from other functions they were performing to do it.

If I could suggest an analogy, we have a dike with 10 holes and we have one hand with 5 fingers trying to plug those 10 holes. It does not work. Shifting too few people from one crisis to another is not the answer.

I do not want to give the impression that SSA's people do not care. I think they are doing a tremendous job with what they have, but they are so woefully understaffed. I will conclude my testimony by saying that I think that the way Congress has to deal with the problems of delay and many of the problems that are rising in the application process is to get more personnel in there.

I do not think you can legislate more staff. I think you can impose reasonable time limits on the agency to act on applications. For years HEW imposed time limits of 30 to 60 days on initial applications, 60 days for disability, 30 days for all others. I certainly think that HEW could itself learn to live with the standards it imposed on the States for many years.

I think by imposing that time standard you would force the agency to hire more personnel. I think you have to do that because Secretary Weinberger indicated one of his major goals was to reduce the number of agency personnel. Further, it has been announced by the President that his goal for the next fiscal year was a reduction of 100,000 Federal employees. I think your persuasive power alone will not convince them to expend the staff in the face of those goals.

Senator CHURCH. Thank you for your testimony.

Mr. ABASCAL. I will ask Mr. Brown to discuss the appeals process.

STATEMENT OF ROBERT N. BROWN, DIRECTOR, CENTER FOR LEGAL SERVICES FOR THE AGING, SYRACUSE UNIVERSITY, SYRACUSE, N.Y.

Mr. BROWN. I think that the appeals process is an important subject because a great number of aged, blind, and disabled individuals will be forced to utilize this process in order to gain eligibility for SSI.

Figures from title II of the Social Security program indicate that something like 45 percent of the cases reviewed are overturned. Similar figures exist for the welfare program. Thus, great numbers of people in those programs are initially told they are not eligible, seek review and are found to be eligible. The means by which the programs review their own decisions is of critical importance.

Let me briefly outline the structure that has been created. The first part of the process is a decision itself, called an initial determination. As Mr. Abascal mentioned there is no time limit imposed on the initial determination step, a fact which results in hardship for applicants whose applications are not acted upon promptly. The Social Security Administration should be required to act promptly on all applications.

THREE FORMS OF RECONSIDERATION

The person who is dissatisfied with the initial determination can appeal and go to what is called reconsideration. Under SSI reconsideration has three forms: Case review, which is a paper review; in formal conference which permits face-to-face contact, but which does not permit the claimant to subpoena any evidence or to cross-examine

witnesses; and finally, formal conference in which subpoena powers and cross-examination are available. There are no time limitations imposed in which the Social Security Administration must make a reconsidered decision. Further, only through this reconsideration stage can a person who has been cut off continue to receive benefits, while he continues to appeal.

If a person still is dissatisfied, he must seek a hearing, which is held before an administrative law judge of the Social Security Administration. The law judge is required to make a decision in nondisability matters within 90 days of the time the hearing is requested. There is no time limitation upon his decision if it is a disability case.

A person who has had an unfavorable decision from the law judge must seek review by the appeals council, an appellate body that sits in Arlington, Va. Once again, no time limitation is imposed upon the action of the appeals council but one is required to go to the appeals council to go to court.

Senator CHURCH. An ordinary appeal taken in Social Security, apart from the SSI, what time limitations exist? None that I am aware of.

Mr. BROWN. None. Since you have raised that question, let me turn to that part of my testimony. There is substantial evidence that the title II appeals system, which Social Security has adopted here, is not working. The data that I have seen indicates it takes the Social Security Administration roughly 50 days to make an initial decision. It then takes them another 60 days—2 more months—from the date a person requests reconsideration, to the time the decision is rendered. It takes another 114 days from the time the person seeks a hearing until the hearing decision is rendered. The person then must go to the appeals council. I do not have any figures on the time it takes for appeals council review. There is a very substantial period of time involved. From the time he applies until the time he gets a hearing decision, it is 228 days under the title II disability program.

Senator CHURCH. You are talking there in averages?

Mr. BROWN. I am using mean figures.

Senator CHURCH. I see.

Mr. BROWN. It is very mean in action.

Senator CHURCH. I tell you, I have talked to lots of people in the courthouse in my State, who come to see me about problems they have with Federal agencies and I cannot think of a single problem that comes up more frequently than the long delays involved in the appeals of various kinds, under Social Security.

Mr. BROWN. I'm not surprised. It is a horrible problem and it is even more serious in SSI than in title II.

Senator CHURCH. I have seen cases where people have waited far longer than your mean figure; some have waited 1 year, 1½ years or more.

Mr. BROWN. I'm sure that's so. Senator Pell of this committee has introduced a bill, S. 3649, which he entitled "The Social Security Recipient Fairness Act of 1974," in which he seeks to impose a limitation upon the time in which the Social Security Administration must make a decision. He would impose a requirement that a decision be made within 110 days of the date of the request for a hearing to the date of the decision. If the Social Security Administration is unable to render a decision within that time, he would have the recipient paid the full amount of the benefits claimed. That person would be entitled to re-

tain those benefits, even if, ultimately he was determined not to be eligible, as an inducement to force the system to work more quickly.

I believe that we should simply eliminate the reconsideration stage altogether. I do not think it adds substantially to the review process. What should be done instead is that a person who is initially determined to be ineligible should be allowed to proceed forthwith to a hearing. The hearing should be held promptly and a decision rendered quickly.

Senator CHURCH. Have you any figures that would indicate how often an initial decision is reversed on reconsideration?

ONE-THIRD OF CASES ARE OVERTURNED

Mr. BROWN. Yes. The figures I have indicate that the initial determination, in one-third of the cases reviewed, is overturned at the reconsideration stage. Further, at the hearing stage, nearly 45 percent of the reconsidered decisions heard by hearing examiners are overturned. The appeals council overturns another 10 percent and judicial review overturns yet another 40 percent. We are talking about a very substantial figure: At least 40 to 50 percent are overturned in the appeals process.

Again, I recommend simply eliminating these stages and imposing absolute time limits during which the Social Security Administration must make a final administrative decision. The time limits that existed under the program of aid for the aged, blind, and disabled provide a stark contrast with the Social Security system. I will read them to you: "Prompt, definitive, and final administrative actions will be taken within 90 days of the date of request for a hearing." This is an absolute cutoff and a person is entitled to continuation of benefits until that hearing decision is rendered.

Senator CHURCH. That quote is from what, the item you just quoted?

Mr. BROWN. I am reading from HEW regulations, 45 CFR, section 205.10.

The SSI statute creating the review process within SSA does not mention reconsideration and appeals council review. It states that the Secretary will provide reasonable notice and opportunity for a hearing to any individual whose claim is denied.

Senator CHURCH. The law itself says that?

Mr. BROWN. Yes, it does. What the SSA has done is impose a review stage before you get to the hearing and a review stage after you leave the hearing. These additions lengthen the appeals process and substantially undercut the rights of appellants.

Senator CHURCH. That conforms to Social Security appeals practice?

Mr. BROWN. That is correct, but I think a better reading of the statute indicates they should not have retained the old system. Instead they should immediately provide a hearing, then access to court.

Senator CHURCH. That is a very good point.

Mr. BROWN. We are short of time but I have a couple of quick points. As SSA is implementing this program, it is not working well. Mr. Abascal filed suit against the SSA because they simply were not giving recipients a constitutionally guaranteed hearing before benefits

were reduced, suspended or terminated. It was necessary to sue the SSA to get them to adhere to this requirement.

Further, the SSI statute, with reference to the appeals process, should be amended. It limits judicial review, foreclosing from judicial review any decisions of the Secretary with respect to a matter of fact. The traditional standard used in judicial review is that the Secretary's findings must be supported by substantial evidence; that is, there has to be some evidence in the record to support the Secretary's finding.

There is no such requirement in the SSI program and I think this opens the door to serious abuses.

I have a written statement for the record and I thank you.

Senator CHURCH. Thank you very much. Without objection, the prepared statement of Mr. Brown will be inserted into the record now. [The prepared statement of Robert N. Brown follows:]

PREPARED STATEMENT OF ROBERT N. BROWN

Mr. Chairman, members of the Committee, I am Robert N. Brown, an assistant professor at the Syracuse University College of Law and Director of the Center for Legal Services for the Aging,¹ a clinical law program in which law students are trained to respond to the legal problems of older persons. I am pleased to have been invited to testify at this hearing on the Supplemental Security Income program (SSI) and I commend the committee for holding these hearings to review this program which is of such importance to millions of aged, blind, and disabled persons who depend for their very existence upon the fairness and integrity of the program and the agencies implementing it. My testimony today will focus on the appeals structure the Social Security Administration (SSA) has adopted to handle appeals involving SSI benefits. Before moving to that topic, however, I shall spend a moment discussing other problems affecting SSI beneficiaries.

Six months have passed since the program went into effect. During this period, it has become apparent that while there are positive aspects to SSI—more individuals are receiving SSI than were receiving assistance under the categorical welfare programs it replaced and recipients in States with very low benefit levels are receiving more than in the past—the system has serious deficiencies which must be rectified if SSI is to be a fair and generous public program in which the Nation can take pride rather than the scandal it appears in jeopardy of becoming.

Numerous problems beset SSI. Benefit levels are too low so that recipients are unable to live decently, a problem that is worsened by the lack of an automatic cost of living adjustment to compensate for the effects of inflation and the absence of a pass-through provision to ensure that public benefit increases reach SSI recipients who also receive other benefits. Inequality among the States continues. Some are markedly more generous than others in the size of the State supplement to the basic SSI grant. In part, this disparity is the product of the hold-harmless formula which limits the Federal contribution to supplemental benefits to the level available in January, 1972.² The treatment of former public assistance recipients, particularly those previously receiving aid to the disabled, is also a problem. Many of these individuals will be unable to meet the strict standard of disability utilized by SSA and will be forced to seek State general assistance benefits which are inadequate.³

Similarly, the treatment of individuals whose disabilities involve alcoholism or drug addiction is troublesome as these individuals are divested of control over their SSI benefits which instead are sent to "representative payees" regardless of the ability of these individuals to care for themselves and regardless of the effect of this deprivation upon rehabilitative efforts.⁴

PROVISION FOR EMERGENCY ASSISTANCE ABSENT

A very serious problem, which has had disastrous consequences during the early, chaotic months of SSI, is the absence of adequate provision for emergency

¹ The Center for Legal Services for the Aging is supported by a grant from the Frederick and Amelia Schimper Foundation.

² P.L. 92-603 § 401.

³ 42 U.S.C. § 1382c(a)(3)(A).

⁴ 42 U.S.C. § 1383(a)(2).

assistance for SSI recipients. At present, emergency assistance is available only at the time of initial application.⁵ Thousands of beneficiaries never received SSI checks, or received checks which were smaller than their entitlements, or checks were lost or stolen, or emergencies, such as fires, arose. The Social Security Administration (SSA) has not been able to respond to these situations and recipients have been forced to turn for help to private charitable organizations and to State agencies which are reluctant to intercede in what they view as a Federal problem, particularly since no Federal funds are available to reimburse them for the costs of such emergency assistance.

Other problems plaguing SSI involve the administration of the program by the Social Security Administration which appears to be staggering under the load imposed by SSI. Regulations implementing SSI were promulgated belatedly. On numerous critical issues no regulations were available until well after January 1, 1974, and on many of these issues there are still no regulations or regulations are in proposed rather than final form. Similarly, instructions were late in arriving at SSA District Offices, so that SSA personnel were poorly equipped to implement SSI and often times incorrect information was (and is) conveyed to recipients. Also, coordination problems have existed between the SSA and local welfare departments which continue to be responsible for providing social services for SSI recipients, and which were responsible for providing vital information concerning former welfare recipients to the SSA.

An administrative problem which has had serious consequences for vast numbers of potential recipients of SSI is the slowness with which eligibility determinations have been made by the SSA. By early April, approximately 1,300,000 persons had applied for SSI benefits. Of this number, about 200,000 had been declared eligible and received payments and about 80,000 applications had been denied. The balance of the applications, in excess of 1 million, either had not been acted upon or had not been paid.⁶ While some delay in acting upon applications during the early months of implementation is understandable, these figures exceed tolerable limits.

The problem of delay in processing applications is one that plagues all public benefit programs, including the categorical welfare programs SSI replaced and the OASDI benefit program (Social Security). Congress responded to these problems by requiring that eligibility determinations be made promptly and by providing vehicles by which an applicant could force prompt action on his application. For example, the legislation governing aid to the aged, blind, or disabled contained the following mandates:

"(a) A State Plan for the aged, blind, and disabled . . . must . . . (4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid or assistance under the plan is denied or *is not acted upon with reasonable promptness*; . . . (8) provide that all individuals wishing to make application for aid or assistance under the plan shall have opportunity to do so, and that *such aid or assistance shall be furnished with reasonable promptness* to all eligible individuals;"⁷ (emphasis added).

HEW regulations implementing these requirements require that eligibility determinations be made within 45 days upon applications for aid to the aged or blind and within 60 days in the case of applications for aid to the disabled,⁸ and reaffirm the right of an applicant to a fair hearing if these limitations are breached.⁹ The legislation creating SSI lacks a similar mandate and contains no vehicle for an applicant to force action on his application. As a result, the SSA is under no obligation to act promptly upon SSI applications and a potential SSI beneficiary whose application isn't acted on is powerless to do anything about it. Congress should rectify this situation by amending 42 U.S.C. § 1383(a) (1) to include a requirement that determinations of eligibility and payments be made promptly and by amending 42 U.S.C. § 1383(c) (1) to include the right of review where a prompt decision has not been rendered or payment has not been made.

SOCIAL SECURITY ADMINISTRATION SYSTEM OF APPEALS

I now come to my principal topic, the system of appeals the Social Security Ad-

⁵ 42 U.S.C. § 1383(a) (4) (A).

⁶ *Supplemental Security Income Program Moves Slowly in First Months*, 8 Clearinghouse Review 22, 1974.

⁷ 42 U.S.C. § 1382, repealed by 92-603, effective January 1, 1974. For the comparable provision governing OASDI determinations, see 42 U.S.C. § 405(c).

⁸ 45 C.F.R. §§ 206.10(a) (3) (i) and (ii).

⁹ 45 C.F.R. § 205.10(a) (5).

ministration has adopted for use in connection with claims for SSI benefits. Briefly, the system works in the following way:

(1) A decision is made regarding eligibility for benefits, either at the time of application, or subsequently, when some event occurs which, in the judgment of the SSA affects eligibility. This decision is called an initial determination.¹⁰ However, some decisions affecting a person's rights to SSI benefits are not defined as initial determinations by the SSA and these decisions cannot be appealed. No time limit is imposed on the SSA in which it must make an initial determination.

(2) A person dissatisfied with a decision that can be appealed (that is, an initial determination) is given 30 days in which to seek review. This first level of review is called reconsideration of which there are three types depending on the nature of the matter reviewed: case review, which is a paper review; informal conference, in which the individual may present witnesses, but not cross examine or subpoena evidence and formal conference, in which cross examination and subpoenas are available.¹¹ There is no time limit within which the SSA must make its reconsidered decision. It is important to know that a presently eligible SSI recipient seeking review of a decision to reduce, suspend, or terminate his SSI benefits is entitled to have them continued only through the reconsideration stage.

(3) If a person still is dissatisfied when the reconsidered decision is rendered, he may ask for a hearing before a SSA administrative law judge who is to decide the case within 90 days of the request for a hearing (unless the matter involves a disability claim, in which case no time limit is imposed).¹² Where the matter reviewed is whether eligibility for SSI should end because a disabled individual has improved medically, review is directly by hearing and reconsideration is skipped.^{12a}

(4) The next step for a person who still believes he has been wronged is review by the SSA Appeals Council, an appellate body which sits in Arlington, Va. The Appeals Council actually reviews very few of the cases brought before it (the rest are denied or dismissed), but one is required to seek Appeals Council review as a prerequisite to seeking judicial review.¹³ While the person asking the Appeals Council to review his case must do so within 30 days of the hearing decision, no limit is placed on the time within which the Appeals Council must act.

(5) The intrepid seeker of justice, whose case has been acted upon by the Appeals Council now seeks judicial review in Federal District Court, and has 60 days in which to do so. However, he is limited to a review of the legality of the SSA's decision, for the administration's determinations of fact are not subject to review by any court.¹⁴

I believe that this complex and cumbersome system (which actually is even more complex than described) is objectionable for the following reasons:

- (1) The system violates the very statute which gives it life.
- (2) The system is so complex that it cannot quickly and competently render justice.
- (3) The system is operated so as to vindicate the SSA rather than to mete out justice.
- (4) The system is vulnerable to abuse because of the lack of full judicial review.

VIOLATION OF THE STATUTE

The statute giving rise to this system of appellate review states:

"(1) The Secretary shall provide reasonable notice and opportunity for a hearing to any individual who is or claims to be an eligible individual . . . and is in disagreement with any determination . . . with respect to eligibility of such individual for benefits or the amount of such individuals' benefits within 30 days after notice of such determination is received.

"(2) Determination on the basis of such hearing, except to the extent the matter in disagreement involves the existence of a disability . . . shall be made within 90 days after the individual requests the hearing . . .

¹⁰ 20 C.F.R. § 416.1403.

¹¹ 20 C.F.R. § 416.1417.

¹² 20 C.F.R. §§ 416.1425-1455.

^{12a} 20 C.F.R. § 416.1408.

¹³ 20 C.F.R. §§ 416.1459-1461.

¹⁴ 42 U.S.C. § 1383(c)(3).

"(3) The final determination of the Secretary after a hearing under paragraph (1) shall be subject to judicial review; except that the determination of the Secretary . . . as to any fact shall be final and conclusive and not subject to review by any court."¹⁵

Nothing in this statute or the legislative history suggests a congressional intent to create the multitiered appellate system that has been adopted. In fact, the opposite clearly seems to have been intended: administrative review would consist of a hearing with a decision rendered within 90 days of the date the hearing was requested, such hearing to be followed immediately by judicial review where desired.¹⁶

My conclusion that Congress did not intend there to be a multilevel appellate structure is reinforced by reference to the appellate structure which prevailed in the categorical welfare programs which SSI replaces. Under these programs, States administering such programs were required "to provide . . . an opportunity for a fair hearing . . . to an individual whose claim for aid . . . is denied."¹⁷ The regulations adopted by HEW implementing this requirement added:

"Prompt, definitive, and final administrative action shall be taken within 90 days from the date of the request for a hearing."¹⁸

It seems very likely that 42 U.S.C. § 1383(c)(2) was intended to be a codification of this regulation which was designed to ensure that appeals involving the right to statutory entitlements needed to sustain life would be concluded promptly, a necessary feature of justice in such a context. As I shall explain more fully in a moment, neither finality nor promptness is available under the system adopted.

The appellate structure also violates the statute by foreclosing appellate review of certain decisions affecting benefits. Although the statute states that "the Secretary *shall* provide . . . a hearing to any individual who is . . . in disagreement with any determination . . . with respect to eligibility . . . for benefits,"¹⁹ the Secretary has omitted from the list of initial determinations which may be reviewed, such critical decisions as an individual's entitlement to emergency advances.²⁰

THE SYSTEM IS TOO COMPLEX

The SSI appeals system is patterned after the appeals structure utilized by the SSA for OASDI benefits. Thus, while it may be too early for a careful appraisal of the adequacy of the SSI system, we can make predictions on the basis of the success of the OASDI system in handling appeals arising from that program. Interestingly, it appears that the OASDI system is experiencing considerable difficulty in handling the claims which come before it, and, in fact, has been described as a "system in crisis" in a report prepared for the Administrative Conference of the United States by Professor Robert G. Dixon, now an Assistant Attorney General of the United States.²¹ The report concludes that reconsideration probably should be eliminated so that a claimant whose application is denied can proceed directly to a hearing. The report also offers statistics on the length of time which each stage requires and the reversal rates which occur at each stage:

- (1) Initial determination—median time from date of application to date of denial is 52 days.
- (2) Reconsideration—median time from date of request for reconsideration to date of decision is 62 days. In addition, in about one third of the cases reconsidered, the initial determination is reversed.
- (3) Hearing—median time from date of request for hearing to date of decision is 114 days and nearly 45 percent of the hearings result in reversals of the reconsideration decision.
- (4) Appeals Council—no figures are available on the time involved in Appeals Council review but over 10 percent of the cases reviewed are reversed.
- (5) Judicial review—again no figures are available as to time, but about 40 percent of the cases reviewed are reversed.²²

¹⁵ 42 U.S.C. § 1383(c).

¹⁶ H.R. 92-231, 92d Congress, 2d Session.

¹⁷ 42 U.S.C. § 1383(c)(4), repealed by P.L. 92-603, effective January 1, 1974.

¹⁸ 45 C.F.R. § 205-10(a)(16).

¹⁹ 42 U.S.C. § 1383(c)(1).

²⁰ 20 C.F.R. § 416.1403(b). See Claims Manual § 13608 for a more complete list.

²¹ *Disability Program*, 1972 Duke L. Rev. 681 (1972).

²² Dixon, *The Welfare State and Mass Justice: A Warning From the Social Security*

Id. at 683-700.

Hence, the median time from date of application to date of hearing decision is 228 days. From date of request for reconsideration to date of hearing decision the median time involved is 176 days (assuming a request for a hearing is filed immediately upon receipt of the reconsideration decision). Although these figures involve disability decisions which take longer than nondisability determinations, they provide a stark contrast with the categorical welfare programs where final administrative action is available in 90 days. Elimination of reconsideration and Appeals Council review would bring down the decision time in the OASDI program to nearly this level.

It appears that the delays involved in the SSI program will at least equal those of the OASDI system. I have mentioned the delays already experienced by the SSA in making initial determinations with respect to applications for SSI benefits and the need to remedy this problem by amending 42 U.S.C. § 1382(a) (1) to require that such determinations be made promptly. Reconsiderations under SSI are more complex than under the OASDI system and, therefore, can be expected to consume at least as much time as under OASDI, where all reconsiderations are made on the basis of case reviews. Since under SSI, some reconsiderations involve face to face contact, including the examination of witnesses, further delay in the rendering of reconsidered decisions can be expected.

Hearing and Appeals Council review under SSI are the same as under OASDI and the same delays can be expected, at least with respect to SSI disability cases where no time limit is imposed for a decision, unlike other SSI cases where a hearing decision is to be rendered within 90 days of the date of the hearing. There appears to be no valid reason why a similar limit cannot be imposed upon hearings involving disability matters and 42 U.S.C. § 1383(c)(2) should be so amended.

Shortening these delays is essential to the integrity of the appeal process. This can be accomplished only by elimination of reconsideration which is redundant since *de novo* review is available at hearing and Appeals Council review. I strongly recommend that these changes be made so as to achieve administrative finality with reasonable promptness.

THE PROGRAM OPERATES TO VINDICATE THE SOCIAL SECURITY ADMINISTRATION

Early experience with SSI leads one to conclude that in addition to the deficiencies resulting from the structure of the system, there is a desire on the part of the SSA to make the system work to its advantage rather than to do justice. Thus, the SSA has endeavored to carve exceptions out of the rule that a determination that results in a reduction, suspension, or termination of benefits must be preceded by adequate notice and an opportunity to contest the decision. These exceptions include reductions, suspensions or terminations to correct "a clerical or mechanical error" and reductions, suspensions or terminations which result from information supplied by the recipient where the facts are thought to be complete and not subject to conflicting interpretations. While it is understandable that the SSA would wish to reduce the situations in which it is bound to give advance notice of an intent to reduce, suspend or terminate benefits, no justification can be found for these exceptions. They are subject to abuse and undercut the constitutional principle established by *Goldberg v. Kelly*²³ that a meaningful hearing must be available before public benefits can be reduced, suspended or terminated.

Similarly, the SSA has failed to comply with constitutionally required standards regarding the notice which is necessary before benefits may be reduced or withdrawn. Thus, it was proceeding to reduce or terminate the benefits of SSI recipients with only a brief and incomplete explanation of their rights to contest such a decision. This practice led to the filing of lawsuits, *O'Connor v. Weinberger*²⁴ and *Lyons v. Weinberger*²⁵ in which injunctions were issued against the SSA restraining it from further action to reduce, suspend or terminate SSI benefits without affording the recipient adequate notice of the reasons for the proposed action and an effective opportunity to contest the action. The suits resulted in a change in the form of notice given prior to such actions, but it is not yet clear that the problem has been resolved and more litigation can be expected.

Litigation may also arise as a result of restrictions which have been imposed upon the hearing process. Whereas the expense of transporting a public assistance recipient, his representative, and witnesses to the hearing formerly was

²³ 397 U.S. 254 (1970).

²⁴ C.A. 74-501 (D.D.C. 1974).

²⁵ 74 Civ. 1258 (S.D.N.Y. 1974).

borne by the Federal government,²⁶ the SSA expects the SSI recipient to shoulder these costs.²⁷

THE LIMITATIONS UPON JUDICIAL REVIEW

My final objection to the appeals structure is the decision reflected in 42 U.S.C. § 1383c(3) to foreclose from judicial review the Secretary's findings as to facts. The high reversal rates prevailing in the title II program in which 40 percent of the cases reaching court are reversed indicates that the SSA administrative appeals structure does not resolve all issues satisfactorily. Indeed, the fact that so many cases result in reversals casts grave doubt upon the system's ability to handle SSI appeals.

Under title II, the Secretary's findings of fact are reviewable by courts to the extent that they are unsupported by substantial evidence.²⁸ This does not mean that the courts second guess the Secretary; they simply ensure that there are facts in the record to support his conclusions. A check upon arbitrariness or neglect therefore exists in the title II program (and indeed in most administrative decisionmaking) which is absent from the SSI system. Congress should rectify this omission by empowering the courts to ensure that the Secretary's findings are supported by substantial evidence.

CONCLUSION

For the reasons I have outlined I believe that the SSI appeals structure should be revised drastically:

(1) All decisions affecting benefits should be reviewable and a time limit should be imposed in which initial determinations must be rendered. As to initial applications, this should not exceed the limits prescribed for decisions on applications for aid to the aged, blind and disabled.

(2) Reconsideration and Appeals Council review should be eliminated altogether.

(3) Administrative review should consist solely of a due process hearing which should render a decision within 90 days from the date the hearing was requested.

(4) Judicial review should expressly include the power to review the Secretary's findings of fact to ensure they are supported by substantial evidence.

I am confident that these changes will improve the integrity of the SSI system and I urge their adoption.

Dr. BICKEL. Senator, I was delighted this morning to hear you refer to the importance of the impact of inflation on the situation of elderly people and also the blind and disabled under SSI.

My position is that the Federal standards of support under SSI are too low to assure a minimum level of adequacy in terms of the concept of social subsistence in the United States today, and that we are allowing these standards to erode still further.

The basic SSI standards have been raised twice since they were first enacted in October 1972, a total percentage increase in Federal support standards of 12.3 percent. Over the same period, since the initial standards were first adopted, up to the latest consumer price index, consumer prices generally have risen by more than 15 percent.

If we project on a very conservative basis, that is, assuming that inflation begins to decline so that by the end of the year it is running at an annual rate of 6 percent, which is less than half of its present rate, then by today, by July of this year, consumer prices generally have risen by more than 17 percent since SSI was enacted, while the SSI support standards have been raised by about 12 percent.

On the basis of that same conservative projection of price inflation, by the end of the year, December 1974, the total increase in general

²⁶ 45 C.F.R. § 205.10(b)(4).

²⁷ *Right to Appeal Supplemental Security Income*, DHEW Publication No. (SSA) 74-10281.

²⁸ 28 U.S.C. § 405(g).

consumer prices since the SSI program was first enacted will be approximately 21 percent.

Senator CHURCH. The adjustment has been about 12, you say?

Dr. BICKEL. The total adjustment in SSI standards so far has been 12.3 percent, so that gives some figures for you to work with.

COST-OF-LIVING ADJUSTMENT FOR BENEFICIARIES

Senator CHURCH. You favor writing into the law a cost-of-living adjustment for Social Security beneficiaries?

Dr. BICKEL. Writing into the law a cost-of-living adjustment is the absolute minimum that must be done, mainly because these Federal SSI standards presently for a single person are more than 25 percent below the official poverty line; for a couple, they are nearly 15 percent below.

The poverty line itself is an inadequate level of subsistence support. It should be called a virtually guaranteed dietary deficiency budget. It was based on a standard food budget for pricing developed by the Department of Agriculture, which the Department of Agriculture itself does not recommend as a maintenance budget. It is simply too low. They caution that it should be followed for temporary emergency use only. The USDA does this because their research has shown that people who actually spent that amount for food, the same amount as the cost of the so-called economy budget that the official poverty line was originally based on—for people spending that amount for food, only 10 percent of them were able to achieve a “good” diet, which means that it meets the minimum daily requirements specified by the National Academy of Sciences and the National Research Council as necessary for good nutrition.

The USDA found that more than 50 percent of the people spending at that level for food had “poor” diets, which means that in one or more essential food elements, they were obtaining less than two-thirds of the minimum daily requirements.

So 90 percent of the people actually spending that amount for food, the amount upon which the official poverty line concept was originally based, 90 percent of them were unable to achieve good diets. Now, in the Federal SSI support standards, we have a number which is 25 percent lower still. That is a virtually guaranteed dietary deficiency level of support.

Consequently, I think that the most important overall thing that can be done for the future is to set a national target, a national target of a truly adequate minimum subsistence standard of support for the needy aged, blind and disabled population, and a timetable to move toward this target. This would require an updating of the SSI standards greater than simply keeping up with the cost of living.

If we fail to keep up with the cost of living, a bad situation will grow worse, so that is the minimum that must be done.

Senator CHURCH. I once put my family on a welfare diet for 10 days and myself as well and I know something of what you are saying. It is tough.

We have a rollcall vote to which I must respond or remain ever accountable to the people of my State, so we will recess for a few minutes and I will be back.

AFTER RECESS

Senator CHURCH. The hearing will please continue. Now, who is next on the panel?

Mr. ABASCAL. Jim Bensfield.

Senator CHURCH. Mr. Bensfield, please proceed.

**STATEMENT OF JAMES BENSFIELD, STAFF ATTORNEY, SENIOR
CITIZENS LAW CENTER, WASHINGTON, D.C.**

Mr. BENSFIELD. Senator, I would like to say first of all, that as a staff attorney with the National Senior Citizens' Law Center, I have been in the unique position of having contact with local legal services attorneys throughout the country who have been dealing with the SSI program at the local level and who have been—who have represented SSI recipients and potential SSI recipients. At the conclusion of my written statement, I have attached some letters which I have received from the attorneys which I think, taken together, present a pretty comprehensive picture of the variety of problems encountered at the local level.

At the beginning of my statement, I have summarized some of the more blatant horror stories which have been reported in these letters.

Senator CHURCH. You are submitting this for the record?*

Mr. BENSFIELD. Yes, I am.

Senator CHURCH. And you are just going to highlight it?

Mr. BENSFIELD. Yes, highlight it very briefly.

First of all, I would like to speak to a problem which I think is evidenced by the letters which I have received and referred to and which represents a common theme. It has to do with the inability of the SSI system to make timely and appropriate adjustments in individual cases. I think a lot of the problems you have heard about and will hear about in testimony here are obviously related to the fact that SSI is a new program with a lot of snags in the system. Eventually, many of these problems will no doubt be worked out, but based on my experience, on my contact with how the program has worked, I think it is fair to say that even when the system becomes perfected there will always be a margin of error. It is an enormous and complex system, involving intricate means—test evaluations for millions of people and variations from State to State. There will always be the SSI recipient who is denied benefits or has his grant suspended because of systems errors and I think it is important that there be as many mechanisms as possible available to the Social Security Administration at the local level to cushion the impact of these system errors and to rectify immediately these kinds of problems.

EMERGENCY PAYMENTS SYSTEM

I have been impressed, I might say, with the flexibility and the imagination the administration has shown in this area up to now.

They have expanded the concept of the emergency grant upon initial applications to cover conversion cases; they have made many more one-time payments than initially expected; and they have instituted

*See prepared statement, p. 617.

a new and more expeditious check replacement system. I still think, however, there is room for additions in the law in the sense there should be provisions for making on-the-spot emergency payments to eligible SSI recipients who have not received their checks. Even with the best system, the check replacement procedures will take days and weeks.

There are many cases when the recipient cannot afford to wait that long and as of now, in the law, there is no provision by which these people can receive immediate relief. I think that is a glaring loophole in the program and one that is very easily remedied legislatively.

Senator CHURCH. If you think this can be remedied by legislation, will you do us the favor of offering us some language that would accomplish that?

Mr. BENSFIELD. Fine.

Senator CHURCH. Thank you. The committee would welcome it.

Mr. BENSFIELD. I would like to shift gears right now and mention briefly some of the things already touched on in the other testimony.

In the SSI legislation and in the regulations promulgated thereunder, there are several provisions which I think can be characterized as presumptions in the law, conclusive presumptions, which in many cases seem to work tremendous inequities.

I would like to mention several of these presumptions which have to do with the income and resource provisions of the program.

You have heard from the lady from Tennessee about the resource exclusion for value of the house and, according to Mr. Whittier, apparently one aspect of that problem has been resolved. I still think, however, there is room for improvement in the law in terms of adding some flexibility to the valuation of the house for purposes of excluding the resources.

The fact that there are tremendous regional and interregional discrepancies between the fair market value of housing makes for some rather glaring inequities and I think the system could be loosened up sufficiently to compensate for such discrepancies.

There already is a provision in the law that provides that the fair market value for exclusionary purposes in Hawaii and Alaska is \$35,000 as opposed to \$25,000, so there is some recognition that there are differences.

I think that recognition should be extended and expanded and carried out to its logical conclusion. Like all of the other conclusive presumptions, the housing valuation of a \$25,000 figure is justified by the administration on the grounds that it somehow facilitates the easy administration of the program. But I think the harm done in terms of denying benefits for people who do not make it under the \$25,000 standard because they are just barely over it, or who live in a section of the country where a \$25,000 house means something considerably less than to those in another section, far outweighs the administrative ease that is added by having this provision.

Another presumption: The fact that in evaluating household goods, the recent regulations do not take into consideration that there might be encumbrances on these goods. In other words, household goods are valued at their market value, whether or not a person is making payments on those goods. This seems to me to thwart the purpose of the resource provision.

A person is eligible for SSI if he has a certain amount of resources on the theory that those resources are available to him for support, but when there is an encumbrance on household goods it is ridiculous to think that the person has access to the full market value of those goods. He has access to the value of the goods minus whatever outstanding encumbrances might be on them. I think that a little flexibility in the system would bring it into conformance with the economic realities.

Senator CHURCH. You are speaking of all encumbrances, including mortgages?

Mr. BENSFIELD. It does apply to the housing situation, too, because under the \$25,000 housing situation, that is the fair market value, not the person's equity in the house. This is another situation that can lead to inequities. A person might own a house with a high fair market value and they may owe a lot on it. Somebody else might own a less expensive house outright. One gets benefits and one does not. So you are right in saying that the encumbrance problem does go to the housing aspect.

The third income exclusion involves money received from scholarships and grants. That provision, as it has been interpreted by the Secretary and the regulations, has been limited to include only that portion of the scholarship or grant which is used to pay tuition for fees for educational purposes.

In other words, any other expenses which the SSI recipient will encounter in school, which are related directly to the educational experience and are not expenses which he would have had if he were not in school, are not excluded. So it is possible for somebody to grant a scholarship and his money grant might be somewhat less than somebody else's similarly situated but not in school, so it does not make much sense.

Finally, I will mention the presumption raised in the testimony previously, having to do with the one-third grant reduction for living in a household of another.

It simply does not seem to me to make much sense to reduce a person's grant, especially if he is actually paying for the room and board he is receiving in living in the household of another. I think the one-third grant in reduction could easily be offset in those cases by the amount the person is paying for room and board.

Senator CHURCH. Well, it is a very difficult matter where the person is living with his own relatives and with his own family. I do not know how this should be resolved. It is all that clear to you?

EVALUATION OF IN-KIND SERVICES

Mr. BENSFIELD. It is clear to me that I think the one-third reduction is a reasonable provision in terms of evaluating in-kind services, but I think that when there is a measurable amount involved, when the person is actually paying under some kind of ordinary rental agreement, that could easily—

Senator CHURCH. That becomes very difficult to authenticate in a family situation.

Mr. BENSFIELD. I think it could be done.

Mr. ABASCAL. The States have done it for years. It represents another example of that kind of tradeoff between the efficiency of the administration and the complexities of the situation.

When you are dealing with critical situations, of people in critical need, I think the scale ought to tip to individualizations.

Mr. BENSFIELD. Thank you.

Senator CHURCH. Thank you for your observations. Without objection, your prepared statement will be inserted in the record.

[The prepared statement of James A. Bensfield follows:]

PREPARED STATEMENT OF JAMES A. BENSFIELD

As an attorney employed by the National Senior Citizens Law Center, I have had considerable contact with local legal services attorneys representing SSI recipients and potential SSI recipients in various sections of the country. From my work with these attorneys, I have become familiar with a number of problems in the SSI program. Some of these problems are no doubt attributable to the program's newness and Social Security's failure to work the snags out of its still-developing SSI "system"; others are more permanent in nature and are likely to survive any shakedown period in the program unless remedied by changes in the SSI laws and regulations.

Both kinds of problems, however, have worked hardships on the intended beneficiaries of SSI. Whether an elderly, blind or disabled individual has failed to receive his SSI entitlement due to a systems breakdown, or whether he has been denied eligibility altogether because of a particular presumption in the law which bears little or no relation to his actual economic circumstances, the effect is the same: needy persons are being denied the very means to live which the SSI program was set up to provide them.

Hopefully, the combined testimony of the panel members will touch most of the major problems in both of these categories. I will confine my own remarks to just a few of them. I would like to speak, first, to the general question of the SSI program's current ability to respond to the needs of individual recipients who, for whatever reason, have run afoul of systems problems, and, second, I would like to discuss briefly some features of the income and resources tests in the SSI law and regulations which potentially will result in the denial of benefits to many truly needy individuals.

THE SYSTEM

Anyone who has been involved with the initial phase of the SSI program inevitably has his or her own collection of man versus machine horror stories. From all parts of the country I have received calls and letters from legal services attorneys with clients who have failed to receive their SSI payments on time (or at all), who have received wildly fluctuating payments or drastic reductions without any explanation, or who have had their benefits stopped without notice. Most of these stories share a common theme: Despite exhaustive efforts on the part of the recipient and his attorney, it is usually impossible to receive an adequate explanation of the action taken from local Social Security officials in the district offices or in the regional headquarters. Everyone professes ignorance and impotence in the face of what have become known as "those damn computers in Baltimore."

I have attached at the end of this statement letters from attorneys and paralegal personnel working in legal services programs in Maine, Massachusetts, Georgia, Tennessee, and Washington State.¹ The letters bring home concretely the frustration felt by those who have had to deal with the SSI program on a case-by-case basis. The problems brought out in the letters are many and varied, but a good number of them reflect both the present inability of the SSI system to make accurate and timely adjustments in many individual cases as well as the apparent lack of mechanisms available to local Social Security offices to compensate for this irresponsiveness.

For example: In Boston, Mr. B and his attorney have been trying in vain for months to have Mr. B's name properly added to the master SSI payment rolls

¹ Retained in committee files.

in Baltimore. They have yet to meet with success, despite the fact that the SSA officials in the local district office, the regional office, and in Baltimore acknowledge Mr. B's eligibility to receive regular SSI benefits. When he didn't receive his January check, Mr. B's local district office issued a one time payment (OTP) and assured him that such a procedure would automatically correct the situation and he would begin receiving regular checks in February. He didn't. Neither did he receive timely payments for the months of March, April, May, June or July. In the words of his attorney :

He and I have spent literally hours each month discussing the situation with the District Office. Each month the District Office is forced to go through the time-consuming manual OTP process. The District Office says that the computer refused to respond to instructions to correct the error. As a result Mr. B receives his check as late as the 25th of the month. He has no other income, and has been forced to borrow from friends and relatives, with no certainty as to when he can pay them back.

In other cases, SSI recipients have not been so lucky in finding avenues around systems failures. As reported in a letter from a staff attorney with the Central Massachusetts Legal Services Program :

We have a number of emergency cases in which the local district office is not processing or attempting to rectify computer and administrative mistakes within a reasonable amount of time. Some individuals have waited four or five weeks for one time payments after the local office indicated that they were eligible, but did not have time to query the system for verification, or did not process the request. The greatest reason for the delays appears to be a lack of personnel in the local office to handle the situation of mistakes in the system.

DETERMINATIONS NOT MADE UNDER SSI DISABILITY GUIDELINES

Persons who have applied for disability benefits appear to be especially vulnerable to systems snafus resulting in delays and apparently unjustified denials of benefits. The attached letter from the legal services attorney in Maine refers to several problems which he has experienced in this area. One involved the failure of the system to comply with the terms of Public Law 93-256, which extended the period of presumptive eligibility for certain persons grandfathered into the SSI program. As a result, many individuals in the state were illegally dropped from the payment rolls at the end of March, despite their never having had determinations made under the SSI disability guidelines.

Another case cited in the Maine letter illustrates the lack of coordination between Baltimore and the local SSA offices which is not infrequent in disability cases. In the words of the attorney :

An area physician reported a shocking eligibility denial to this office. An applicant, who had been referred to him by SSA for a consultative examination, received a notice of denied claim the day following his visit with the doctor and before the physician had a chance to submit his report. While the denial letter stated that study of the medical evidence showed the applicant was not disabled within the meaning of the law, this determination was apparently reached on the basis of an empty file. Upon contacting Social Security, the physician was advised that this patient would have to pursue his claim through the slow and lengthy appeals process.

Finally, the attached letter from an attorney with a legal services program in Nashville, Tenn., points out the widespread failure of the present SSI system to generate proper notices to persons who have had their grants terminated or reduced. In speaking of the failure to provide adequate notice and prior hearings in cases where such procedures are clearly constitutionally mandated, this attorney states :

It should be emphasized that local Administration employees have been most cooperative and concerned about this problem, and seem to be doing all that they can to remedy the situation. Unfortunately, there is only a limited amount that they can accomplish, because the checks are issued by computer from Baltimore, and the computer apparently can and does reduce or completely cut off checks without local caseworkers even being aware of the fact. And the computer itself is apparently not programmed to automatically issue notices itself before taking such action.

Aside from my contact with local legal services attorneys who are in daily touch with persons who have SSI problems, I have also had numerous contacts

with the Social Security officials in Baltimore who have been placed in charge of dealing with those problems. It is a pleasure to report that these contacts have evidenced, to me at least, a genuine feeling of concern for the victims of the kinds of systems failures cited above and a commitment to eliminate the flaws in the SSI system as rapidly as the resources of SSA will permit. As one official in the Bureau of Supplemental Security Income aptly put it in a recent meeting: "We might have three million cases to worry about, but for the guy out there waiting for his check, his case is the only one he's got."

My inquiries to Social Security officials in Baltimore on behalf of certain problem cases which have come to my attention—including the case of Mr. B in Boston who has received one time payments seven times because the computer will not or cannot put his claim in payment status—have elicited concerned responses which, if they have not been totally remedial in every case, have at least left me with a keener appreciation of the complexity and enormity of putting together the SSI system.

Given enough time and, perhaps more importantly, enough manpower, SSA will no doubt work many of the kinks out of the program. But in an operation as vast and intricate as SSI, in which a system must be designed to deal with complex means test calculations for several million individuals and with fifty state variations in supplementation, medicaid eligibility criteria and so forth, systems errors will remain in some degree as unfortunate by-products of the program. Social Security must be equipped with—and must utilize—procedures for shortcutting the system when necessary to cushion the impact of these errors on individual recipients.

The Administration has already made imaginative use of the available procedures for doing precisely that. The Secretary's emergency check-issuing authority—presently limited to initial applicants only—was temporarily expanded to include all persons converted to SSI from state programs. Also, the unusually large number of One Time Payments which have been made to date have literally rendered that term a misnomer, and I am told that an expedited check replacement process will be inaugurated around the first of August.

Nevertheless, more flexibility needs to be built into the program. The need is especially acute in the areas of emergency payments and presumptive eligibility.

EMERGENCY PAYMENTS

As mentioned, there is presently no authority in the SSI statutes for making emergency payments to eligible SSI recipients who, for whatever reason, have failed to receive their regular monthly benefits. While the expansion of the One Time Payment and check replacement procedures have in some degree compensated for this lack, these measures are, and will remain, too cumbersome and time-consuming to afford the kind of immediate emergency relief required in many cases. Without the availability of such relief, the recipient is forced to bear the burden of systems mistakes, postal delays, lost or stolen checks and so forth. It simply makes sense to expand the present emergency check issuing authority to include those persons who, unlike even initial applicants, have come to depend on the timely arrival of their monthly SSI benefits.

Any system of making emergency payments is, of course, of little value unless it is used in practice and its existence is made known to potential beneficiaries. Unfortunately, there are presently provisions in the SSI Claims Manual which instruct district office personnel specifically that "a request for emergency advance payment should not be solicited" except "when a bona fide need is indicated." It is submitted that a policy of encouraging rather than discouraging the use of emergency payment procedures would better serve the interests of needy recipients.

Persons seeking SSI benefits based on disability must qualify under both the means test and the SSI disability guidelines. That process currently accounts for one of the most glaring bottlenecks in the whole SSI program. Congress has included provisions in the SSI statute authorizing SSA to make payments to "presumptively eligible" individuals for up to three months while their claims are being processed in the state disability determination units. It appears, however, that the intent of Congress in providing relief to needy and disabled persons while their claims are pending has not been fully carried out in the program. For one thing, the Administration has promulgated severely restrictive guidelines for use in classifying persons as presumptively disabled. For another, there

is currently no provision in the law for reimbursing states who provide benefits to individuals with pending disability claims.

Under SSA regulations, an SSI applicant is entitled to a finding of presumptive disability whenever he can make out a "prima facie" case of disability. An applicant can, in turn, make a prima facie case by evidencing a "readily observable severe impairment," or by submitting "medical or other evidence" of his impairment.

There are problems with both of these procedures. First, SSA has restricted the definition of a "readily observable severe impairment" to cases involving the amputation of two limbs, the amputation of a leg at the hip, and an allegation of total deafness, thereby rendering the concept worthless in the vast majority of cases. (See Claims Manual § 12572(a)) Second, since district offices are not equipped to make disability determinations on the basis of medical evidence, such evidence, even when submitted to support an application for presumptive disability benefits, must be sent to state disability determination units. Since there is presently no time limit in the law for processing these presumptive disability applications, there is a strong possibility that determinations will not take place appreciably faster than the processing of ordinary disability applications. The cumulative effect of SSA's current policy regarding presumptive disability, then, has been to largely dissipate the potential, and intended, benefits of the original statutory provisions.

The presumptive disability problem is further compounded by the lack of any provisions in the law allowing federal reimbursement to states who on their own initiative provide interim general assistance benefits to persons awaiting rulings on their SSI disability applications but who have not qualified for presumptive disability payments. The cost consequences of such a provision would be minimal, since, once a person has been found eligible under the SSI disability guidelines, his benefits are retroactive to the date of application. The amount of those retroactive benefits could simply be reduced by whatever amount the person had received from the states during the pendency of his disability claim. Currently, there is no financial incentive in the law for states to make these payments.

PROCESSING INITIAL APPLICATIONS

Although others on this panel will speak in detail about the pile up of initial SSI applications during the program's first phase, I would simply like to lend my support for the establishment of time limits during which action must be taken on these applications. As you are aware, states administering the previous grant-in-aid programs were required to act on applications within 30 days, or in the case of disability claims, within 90 days. There seems to be no reason why a centralized system like SSI can't work within the same time constraints. Indeed, the imposition of such constraints might expedite the process of perfecting that system.

Regardless of how efficient and well-oiled the hardware in Baltimore eventually becomes, there will remain some features of the SSI program which, unless changed, will result in the denial of benefits to large numbers of deserving individuals. Many of these features can be characterized as "presumptions"—provisions in the law or regulations which, while perhaps contributing in some way to administrative efficiency, are too inflexible to permit justifiable exceptions warranted in particular cases.

An individual, for instance, who is receiving SSI benefits on the basis of disability and who is also an alcoholic or drug addict is *required* to have his benefits paid to a representative payee, regardless of how capable he may be of handling his own affairs.

A marital relationship is presumed to continue for a six-month period, regardless of how final and irrevocable a separation might be, with the result that the partners in the former relationship must subsist on one-half of a couple's grant rather a larger individual's payment.

I would like to devote the remainder of my testimony to briefly describing several inequitable presumptions contained in the income and resources evaluation provisions of the SSI program. This list in neither new nor exhaustive. The items mentioned, however, hold potential for working severe hardships on needy individuals. They also readily lend themselves to legislative remedies, some of which have already been proposed.

VALUE OF THE HOME

Section 1613(a)(1) of the Social Security Act provides that the reasonable value of an SSI recipient's home shall be excluded in calculating his or her resources for determining eligibility.

The regulations issued by the Secretary under this section, however, set an absolute limit on the market value of a house which an individual can own and exclude from his resources for purposes of determining SSI eligibility. That limit is \$25,000 (excluding Alaska and Hawaii, where the limit is a market value of \$25,000).

By failing to allow for the large regional and intraregional variations in the fair market value of housing, and by failing to take into account the tremendous increase in home values over recent years, the arbitrary \$25,000 figure produces some startling inequities. A \$24,000 house in one section of the country might be far more elaborate than a \$26,000 house in another section, yet the owner of the former would be eligible for SSI while the second owner would not.

Furthermore, the \$25,000 figure bears no relation whatsoever to a person's *equity* in a house. Mr. A's house has a fair market value of \$30,000, but Mr. A is paying on an outstanding loan of \$26,000, making his equity in the house \$4,000. Mr. B's house (which, to add to the disparity, could be located in an area with comparatively lower market values) is worth \$23,000 and is owned outright. Result: B is eligible for SSI, A is ineligible.

Since the use of any set figure for the evaluation of a house in determining resource eligibility will inevitably result in the exclusion of persons with homes whose market value is slightly over the limit, there is a strong argument for eliminating the use of such figures altogether. Short of that, however, there should at the very least be a system for making sure that regional differences are taken into account in the calculation of allowable resource exclusions for homes of SSI recipients.

THE REAL VALUE OF RESOURCES

Under regulations promulgated by the Secretary, household goods owned by SSI recipients are evaluated at market value for purposes of calculating available resources. Again, the regulations take no account of unpaid loan balances or other encumbrances which may exist on such property. The sound principle of requiring persons to make use of alternative resources before becoming eligible for SSI benefits has been thwarted by the very unsound notion that the total value of an encumbered household item is somehow available to such a person.

Equity is the only meaningful measure of the value of household goods for use in the SSI means test. The encumbered portions of such goods are of no use to a potential SSI recipient as an alternative means of support and it should, therefore, be deducted from the market value in evaluating a person's resources.

Section 1612(a)(2)(A) of the Social Security Act provides that when an individual is living in the household of another and is receiving support and maintenance (room and board) in kind, the amount of his SSI grant will be reduced automatically by one-third. While this statutory provision precludes any individual determination of the actual value of the in-kind benefits received, the regulations issued thereunder go a step further. They require that the one-third deduction be made even if the recipient is making payment for his room and board to the person in whose house he is living.

These regulations mean that a person who lives in a household of another and makes regular payments under an ordinary rental agreement will nevertheless have his SSI grant reduced by one-third. It would seem only fair for the law to include a provision that any such payments made by recipients living in the household of another should go towards offsetting the one-third reduction.

THE SCHOLARSHIP INCOME EXCLUSION

The Social Security Act, in section 1612(b)(7), provides that the amount of a scholarship or grant should be excluded from an individual's income in determining his SSI eligibility. SSA's regulations, however, have honed down this provision by limiting the exclusion to only that portion of a scholarship or grant which is used to pay tuition or fees. The portions used to pay other school-related expenses—books, supplies, and special services for the blind and disabled—are counted as ordinary income available for basic subsistence.

The result of this regulation is that the grant level of the SSI recipient going to school on a scholarship may be less than an otherwise similarly situated per-

son not in school. This could be the case despite the scholarship recipient's use of his grant money for costs clearly related to his education and not previously part of his ordinary living expenses. Again, some flexibility is needed in the law. This particular income exclusion should be expanded to include scholarship money used for verified educational expenses other than tuition and fees.

Mr. ABASCAL. Patricia Butler.

STATEMENT OF PATRICIA BUTLER, STAFF ATTORNEY, NATIONAL ENVIRONMENTAL AND HEALTH LAW CENTER, LOS ANGELES, CALIF.

Mrs. BUTLER. Mr. Chairman, my testimony this afternoon is of a somewhat different character than that which preceded me because of my particular background and experience.*

My remarks this afternoon will involve the relationship between SSI and Medicaid, and particularly, the legislative and administrative problems that the Medicaid program is experiencing now because of an attempt by Congress to conform the Medicaid program to SSI, adopted in the 1972 welfare amendments.

There are four specific kinds of issues I would like to bring to your attention, with recommendations for solving those problems.

The first issue involves a fundamental difficulty with the statute as it now reads, the Medicaid statute of the Social Security Act, which provides medical assistance for the indigent. For the first time since its enactment in 1965, Medicaid does not require States to cover all recipients of public assistance; never before has this been true. I think this development was a tremendous step backward from any concept of social insurance. There are two ways in which this is carried out: The first is that section 1902(f) of the Medicaid statute permits States to exclude some SSI recipients—who are recipients of public assistance—from receiving Medicaid. Sixteen States have chosen this option, as I think the Administrator of SSA testified this morning. In a very peculiar provision, Congress permits those States which chose this particular option to cover only SSI recipients who meet the States' January 1972 Medicaid eligibility standards. That figure was chosen as an arbitrary date in order to keep State Medicaid caseloads from increasing with the assumed increase in SSI caseloads, which would be a problem in the States with low welfare payment levels.

MEDICAL EXPENSES NOT COVERED BY SSI

SSI does not provide any payment for medical expenses—and we all know how expensive medical costs are today. Medicaid is the only way that the poor can receive any medical assistance. But poor SSI recipients in 16 States cannot receive medical care in the same manner as other public assistance recipients in those States.

The 1972 Medicaid amendments also permit States to discriminate between various groups of State-supplemented SSI recipients. States are not required by the Medicaid program to cover everyone under Medicaid to whom they provide State supplementary payments. Not only do States not need to cover these people at all, but they can choose to discriminate between groups. Thus, if a State such as Cali-

*See prepared statement, p. 624.

ifornia provides a supplementary payment to the aged, blind, and disabled, the State can provide Medicaid to only the aged who receive this additional payment under Medicaid, excluding coverage of the disabled and blind. At this point, the State implementation of the 1972 Medicaid amendments lags behind even SSA's implementation of SSI. I am not familiar with any States which have discriminated among State supplemental recipients in this way, but the possibility exists in the law, and I have no doubt that this discrimination will occur.

An additional limitation imposed by the Medicaid statute for the first time is an income eligibility ceiling on SSI State supplemental recipients, and this brings me to the second problem I will discuss—the eligibility level ceiling, which is 300 percent of the SSI level (currently \$438). The Federal law sets an absolute ceiling on Medicaid income eligibility of \$438; and although that may sound like a lot of money, it becomes a problem for nursing home recipients because nursing home costs are very high. In Wisconsin, for example, it costs about \$600 a month to support a Medicaid recipient in a nursing home. Previous to the amendments adopted in December of last year, States like Wisconsin established nursing home cost as a “special need” for purposes of welfare eligibility, in order to permit applicants to be eligible for nursing home assistance if their income was below the cost of nursing home services; for instance, the \$600 figure.

Now that the \$48 ceiling is imposed on Medicaid eligibility, persons in all of those States where nursing costs are very high, who previously would have been eligible for Medicaid to cover that nursing home cost, will be ineligible. In a State which provides Medicaid for only the welfare group, such persons needing nursing home care will be completely ineligible for Medicaid, no matter how much of their own funds they expend. This seemingly reasonable ceiling is, in fact, very unfair to poor persons in States which have previously permitted a “special needs” standard for people in nursing homes.

Third, some States are actually cutting back their Medicaid programs, even though the primary intent of this bizarre provision in the Federal law (sec. 1902(f)) was to hold States at the status quo, so they would not have to increase their Medicaid caseloads as a result of SSI.

In fact, some States, with HEW approval, are eliminating from Medicaid certain kinds of persons who were previously covered under Medicaid, and using this provision of the law to justify that reduction.

SOME STATES REFUSING MEDICAID COVERAGE

One example of that situation in persons who were previously receiving aid in a different category—for instance, general relief—but who were also receiving Medicaid in January 1972. The State refuses to continue to cover such persons under Medicaid even though they now receive SSI. The statute seems to prohibit excluding such persons, but some States limit their programs in this manner nonetheless.

Some of these issues may be litigated, but I think either the statute or the legislative history of the statute could be clarified.

Senator CHURCH. It seems to me that you are describing what is turning into a Chinese maze, that the Congress has been more concerned about protecting the State budgets, first the Federal and second the obvious needs of the people who are intended to benefit.

I would think that was the main motive of these changes in the law which hold that the Federal Government should assume greater responsibility, and yet it was done in a way that left some of the people out, many of them in the cold.

Mrs. BUTLER. That is right, and I think there is no question that a lot of inequities have resulted because of the decision to be concerned only with fiscal matters.

My last point is minor; however, I think it forecasts the kind of problems we will be seeing in the future and relates to the discussion my colleagues have presented this afternoon regarding problems of SSA's determinations of eligibility for SSI and Medicaid.

When SSA determines to disapprove a claim, it sends out a notice to SSI applicants, telling them that they are disapproved and that they "may be eligible for Medicaid"—because some States will provide Medicaid to people not eligible for welfare—and that the State Medicaid agency will be in touch with them about their eligibility. State Medicaid agencies do not solicit applications for Medicaid. Furthermore in California where this problem has come to my attention, the State agency said it does not even have the computer capacity to obtain information about disapproved applicants from SSA or to use it in any way to notify people.

This problem should be easily remedied by a better formal agreement between SSA and State agencies, and by making more accurate the notice that SSA provides. But I think a better solution to this whole problem is for SSA to assume responsibility for determining all Medicaid eligibility for both the welfare group for which it now makes eligibility decisions—because these decisions are SSI eligibility decisions—and also for the "medically needy," the nonwelfare group of Medicaid eligibles who are eligible for Medicaid. The eligibility process would be much simpler if SSA would take complete responsibility for it.

As I read the Federal law, that would be perfectly within the arrangements that HEW could make with the States, but HEW refuses to do so under its present regulations.

Senator CHURCH. Thank you very much, your prepared statement will be placed in the record at this point.

[The statement follows:]

PREPARED STATEMENT OF PATRICIA A. BUTLER

Dear Mr. Chairman and Members of the Committee: As a staff attorney with the National Health Law Program for the past four years, I have specialized in Medicaid, and my testimony involves specific problems with the relationship between the SSI and Medicaid programs. I must emphasize that because of the delays in implementation of SSI, which have entailed even greater delays in the implementation of conforming amendments to the Medicaid programs in each state, the problems that I mention are only examples of problems which I believe we will continue to see as states implement Medicaid changes during the next few months.

The four specific problems to which I would like to direct the Committee's attention illustrate issues of the way that Congress wrote the statute and of state implementation and HEW administration of the law.

I. ELIGIBILITY FOR MEDICAID

For the first time since its enactment in 1965, Medicaid does not now require states to cover all recipients of public assistance. The federal law specifically permits states to exclude certain kinds of persons who are receiving public assistance in the form of either SSI or State Supplementation:

A. Section 1902(f) of the Medicaid Act, 42 U.S.C. § 1396a(f), permits states to exclude some aged, blind and disabled recipients of SSI or State Supplementation from Medicaid and to cover only those aged, blind and disabled persons on SSI or State Supplementation who meet the state's January 1, 1972, Medicaid eligibility standards. Sixteen states* have chosen this option. The purpose of this limitation was to hold states harmless from increased Medicaid costs which would be the natural result of increased federal eligibility standards under SSI. (See Sen. Fin. Comm. Rep. No. 92-1230 at 222). Certainly the states have a right to be concerned with an increase in their Medicaid caseloads over which they would have no control. However, Medicaid, in spite of its failings, has been since 1965 the sole means by which welfare recipients and in some cases other groups of low-income persons, could receive free medical assistance. To deny Medicaid to persons who have been defined as poor by virtue of their SSI eligibility is inequitable and illogical. A fairer protection against increased state costs would be to permit states to charge the federal government for the increased share of the costs of these added SSI recipients.

B. Not only may states exclude a large group of SSI recipients from automatic Medicaid coverage, but states may also discriminate between recipients of their State Supplementation programs. The federal law, § 1902a(10)(III), 42 U.S.C. § 1396a(a)(10)(III), permits the states to cover "reasonable groups" of State Supplementation recipients. HEW has interpreted this requirement to mean that the states may exclude from Medicaid coverage State Supplementation recipients who are blind or aged or disabled or various combinations thereof (45 C.F.R. § 248.2(d)). While I have not heard that any states are discriminating among their State Supplementation recipients, the tendency of many states to cut back their Medicaid programs as medical costs increase indicates that states will take advantage of that opportunity in the future if they have not already done so.

II. INCOME CEILINGS

Section 1903f(4)(c) of the Medicaid law, 42 U.S.C. § 1396b(f)(4)(c), sets the ceiling on the income of Medicaid recipients for purposes of Medicaid eligibility at 300% of the federal SSI level which would currently be \$438. While this income level applies to all Medicaid recipients, in practical effect it only has an adverse impact on persons who are institutionalized, primarily persons in nursing homes. Because it is recognized that nursing home costs are often very high and well beyond the traditional welfare eligibility standards for individuals, many states have sent a special income eligibility level for nursing home recipients or have calculated the cost of nursing home services into a welfare applicant's budget as a "special need." This eligibility process was especially important in states with Medicaid programs for only the categorically needy (i.e. welfare recipient group) because persons with incomes above the welfare eligibility line but below the level of the monthly cost of nursing home services (which may run as much as \$600 a month) would otherwise never be eligible for Medicaid. Imposing the federal ceiling of \$438 on Medicaid eligibility disqualifies from Medicaid eligibility such nursing home recipients in states where the cost of nursing home care exceeds \$438 a month.

III. STATE CUTBACKS IN ELIGIBILITY

Although the intent of the federal limitation on Medicaid eligibility, § 1902(f), discussed above, was to hold the states harmless from increased Medicaid costs and keep states at approximately their 1972 level of Medicaid eligibility costs, some states have restricted Medicaid eligibility in violation of the intent and express language of the statute, but with the support of HEW. States which covered persons who were receiving Medicaid in January 1972, as members of a different eligibility classification than they currently belong to, now exclude such persons from Medicaid eligibility. For instance, one state where general assistance recipients were eligible for Medicaid in January 1972, refuses to provide Medicaid coverage for a person who was a general assistance recipient *receiving* Medicaid in January 1972, and who is now an SSI recipient (because the SSI definition of disability is more liberal than that which existed in the state's ATD plan). Similarly a state which provided Medicaid to AFDC families where disabled children were eligible because of their family relationship, but who now are disabled SSI recipients, refuses to provide Medicaid coverage to these children even though they were receiving Medicaid under a different

*Connecticut, Hawaii, Idaho, Illinois, Indiana, Kansas, Maryland, Minnesota, Missouri, Nebraska, New Hampshire, North Carolina, North Dakota, Ohio, Oklahoma, and Utah.

eligibility category in January 1972. While these two examples describe persons who are not the primary constituency of this Committee, a similar situation could arise with persons who become 65 after January 1972, and are now eligible for SSI, but who were receiving Medicaid for another reason, such as receipt of general assistance, in January of 1972.

IV. COOPERATION BETWEEN SSA AND STATE MEDICAID AGENCIES

It has recently come to our attention that the notice that SSA sends to disapproved SSI applicants misleads those persons into believing that they may be contacted regarding Medicaid eligibility. In a state with a medically needy (i.e. non-welfare group) Medicaid program persons with too much income for SSI may still be eligible for Medicaid. This medical assistance eligibility is obviously of critical importance. Unfortunately, the notice which SSA distributes to disapproved applicants says that "an agency of your state will inform you of your status for medical assistance (Medicaid). You need take no further action." Some state Medicaid agencies claim that SSA does not notify them of these disapproved SSI applicants for them to contact. Even if SSA did notify state agencies, states do not seek Medicaid eligibles and would probably fail to contact them unless they were legally obligated to do so. The notice is misleading because the applicant is under the misimpression that he need take no further steps to apply for Medicaid. The SSA notice should at least inform the applicant that he must apply for Medicaid through his welfare department. A better solution to this problem would be that SSA assume responsibility for making determinations of medically needy eligibility for all disapproved SSI applicants and for all persons who become ineligible for SSI because of increased income or resources, since SSA would already have all the information needed for such decisions. SSA administration of this function would streamline otherwise duplicative applications. Such eligibility decisions are within the scope of the federal law which permits SSA to coordinate with and assume administrative responsibilities of the state Medicaid and welfare agencies, 42 U.S.C. § 1334. HEW's regulations forbid SSA to make these decisions except on behalf of SSI or State Supplementation recipients, 20 C.F.R. § 416.2112. These regulations seem unduly to narrow the scope of eligibility decisions which Congress intended SSA to make.

RECOMMENDATIONS FOR LEGISLATIVE CHANGES

To remedy each of the aforementioned problems I recommend the following solutions:

1. Amend the Medicaid law to cover all recipients of public assistance including all State Supplementation payment recipients.

2. Remove the 300% ceiling on State Supplementation payment income eligibility levels for Medicaid recipients, at least with respect to nursing home patients in states where nursing home costs exceed \$438 per month.

3. Clarify the statute by amendment or legislative history so that if states are permitted to limit Medicaid eligibility (§ 1902(f)), they *must* cover all persons who are eligible for or receiving Medicaid in January 1972, as required by § 1902(f), and cannot cut such persons off of Medicaid.

4. Require SSA to change its SSI disapproval notice to suggest that disapproved SSI applicants in medically needy states apply for Medicaid at their local welfare offices. Alternatively, clarify congressional intent that SSA should make Medicaid eligibility determinations for disapproved SSI applicants and persons who became ineligible for SSI because of increased income or resources.

Thank you very much for the opportunity to appear before the committee.

Senator CHURCH. I thank you who have come here in an expert capacity within your respective fields. Your testimony will be very helpful, particularly as we have a chance to analyze it in written form.

That is frequently the kind of testimony that is most helpful to us when we look for opportunities to change the law. I want to thank you very much for coming; I appreciate very much your attention and your attendance at the hearings.

That concludes the agenda for this afternoon, and we will resume tomorrow morning at 10 o'clock here in this same room.

[Whereupon, the committee recessed at 4:50 p.m.]

APPENDIXES

Appendix 1

SUPPLEMENTAL SECURITY INCOME AND RELATED MATTERS—TABLES SUBMITTED BY HON. JAMES B. CARDWELL, COMMISSIONER, SOCIAL SECURITY ADMINISTRATION

OPTIONAL SUPPLEMENTATION OF SSI AND RELATED MATTERS AS OF MAR. 15, 1974

	Mandatory supple- mentation	Optional supple- mentation	Medicaid eligibility		SDX contracts	Hold- harmless protection	Pass along
			Determina- tions	Standards			
	(1)	(2)	(3a)	(3b)	(4)	(5)	(6)
Alabama.....	S	S	F	SSI	-----	-----	
Alaska.....	S	S	S ¹	1/72	Yes.....	-----	
Arizona.....	O	S	O	0	Yes.....	-----	
Arkansas.....	F	O	F	SSI	-----	-----	(?).
California.....	F	F	F	SSI	-----	Yes.....	
Colorado.....	S	S	S	1/72	Yes.....	-----	
Connecticut.....	S	S ¹	S	1/72	Yes.....	-----	
Delaware.....	F	O ³	F	SSI	-----	-----	
District of Columbia.....	F	F	F	SSI	-----	-----	
Florida.....	F	S	F	SSI	-----	-----	
Georgia.....	F	O	F	SSI	-----	-----	
Hawaii.....	F	F	S	1/72	Yes.....	Yes.....	
Idaho.....	S	S	S	1/72	Yes.....	-----	Yes.
Illinois.....	F	S	S	1/72	Yes.....	-----	
Indiana.....	F	O ³	S	1/72	-----	-----	
Iowa.....	F	F ¹	F	SSI	-----	-----	
Kansas.....	F	O	S	1/72	-----	-----	
Kentucky.....	S	S	F	SSI	-----	-----	
Louisiana.....	O	O	F	SSI	-----	-----	
Maine.....	F	O ³	F	SSI	-----	-----	
Maryland.....	F	O ³	S	1/72	Yes.....	-----	
Massachusetts.....	F	F	F	SSI	-----	Yes.....	
Michigan.....	F	F	S ¹	SSI	-----	Yes.....	
Minnesota.....	F	O ³	S	1/72	Yes.....	-----	(?).
Mississippi.....	S ¹	O	S	1/72	Yes.....	-----	
Missouri.....	S	S	S	1/72	Yes.....	-----	
Montana.....	F	O	F	SSI	-----	-----	
Nebraska.....	S	S	S	1/72	Yes.....	-----	
Nevada.....	F	F	S	SSI	Yes.....	Yes.....	Yes.
New Hampshire.....	S	S	S	1/72	Yes.....	-----	
New Jersey.....	F	F	F	SSI	-----	Yes.....	
New Mexico.....	S	O	F	SSI	-----	-----	
New York.....	F	F	F	SSI	-----	Yes.....	
North Carolina.....	S	S	S	1/72	Yes.....	-----	
North Dakota.....	S	O	S	1/72	Yes.....	-----	
Ohio.....	F	O	S	1/72	Yes.....	-----	
Oklahoma.....	S	S	S	1/72	Yes.....	-----	Yes.
Oregon.....	S	S	S	SSI	Yes.....	-----	Yes.
Pennsylvania.....	F	F	F	SSI	-----	Yes.....	
Rhode Island.....	F	F	F	SSI	-----	-----	
South Carolina.....	F	O	F	SSI	-----	-----	
South Dakota.....	F	O	F	SSI	-----	-----	
Tennessee.....	F	O	F	SSI	-----	-----	
Texas.....	O	O	F	SSI	-----	-----	
Utah.....	F	O ³	S	1/72	Yes.....	-----	
Vermont.....	S ³	S ³	S	SSI	Yes.....	-----	
Virginia.....	S	O ⁵	S	SSI	Yes.....	-----	
Washington.....	F	F	S	SSI	-----	Yes.....	Yes.
West Virginia.....	S	O	F	SSI	-----	-----	
Wisconsin.....	F	F	F	SSI	-----	Yes.....	
Wyoming.....	F	O	F	SSI	-----	-----	

NOTES

Total col. 1: F-31; S-18; O-2.

Total col. 2: F-13; S-16; O-22.

Total col. 3a: F-25; S-25; O-1.

Total col. 3b: SSI-31; 1/72-19; O-1.

Total col. 4: 22 yes.

Total col. 5: 10 yes.

Total col. 6: 5 yes.

¹ Federal administration being considered.

² Pass-along provision pending in legislature.

³ Optional supplement, federally administered, is being considered.

⁴ Optional supplement for blind only.

⁵ Optional supplement, State-administered, is being considered.

ADMINISTERED STATE SUPPLEMENTATION, JANUARY 1974 AND OLD AGE ASSISTANCE 1973

State	SSI and State supplementation, January 1974						OAA in October 1973		
	Number			Average monthly payment			Number	Average monthly payment	
	Federal SSI payments			State supplementation only	Combined SSI and State supplementation	Federal SSI			State supplementation
	Total	Unduplicated total	With State supplementation						
Total, 51 States	1, 865, 109	1, 690, 496	595, 705	174, 613	-----	\$74.54	\$68.12	1, 826, 137	\$78.65
Alabama	101, 953					71.63		106, 667	73.03
Alaska	1, 167					73.77		2, 042	119.68
Arizona	11, 870					80.34		12, 724	80.18
Arkansas	57, 213	55, 250	26, 252	1, 963	\$77.49	72.96	14.27	56, 636	67.95
California	286, 138	184, 847	180, 076	101, 291	146.22	65.64	105.58	285, 797	111.17
Colorado	22, 986					66.81		26, 194	78.02
Connecticut	6, 121					69.73		6, 969	82.87
Delaware	3, 034	2, 487	2, 198	547	85.37	63.92	36.45	2, 848	83.72
District of Columbia	4, 706	4, 485	2, 428	221	96.75	86.15	26.02	4, 202	96.11
Florida	71, 788	70, 767	25, 435	1, 021	96.28	92.61	13.54	67, 276	83.02
Georgia	87, 568	84, 214	14, 637	3, 354	79.87	75.62	30.10	82, 210	58.76
Hawaii	3, 584	3, 281	2, 880	303	127.66	76.69	65.73	3, 132	109.26
Idaho	2, 972					68.54		3, 028	69.88
Illinois	35, 919	33, 862	9, 253	2, 057	78.79	71.60	35.86	31, 411	72.65
Indiana	15, 320	14, 357	3, 511	963	70.98	66.43	29.90	13, 534	56.90
Iowa	12, 163	11, 910	9, 646	253	91.82	74.39	23.32	10, 965	68.94
Kansas	9, 616	9, 448	1, 560	168	75.79	71.01	33.51	8, 510	61.54
Kentucky	52, 910					85.60		51, 855	68.19
Louisiana	104, 068	97, 998	50, 162	6, 070	82.97	76.39	20.43	102, 669	73.47
Maine	11, 885	9, 660	6, 261	2, 225	78.61	61.14	40.50	11, 720	75.09
Maryland	12, 428	12, 022	2, 055	406	90.34	83.14	50.13	10, 041	67.84
Massachusetts	56, 877	37, 350	37, 148	19, 527	126.79	59.39	88.10	57, 233	112.93

Michigan	38,704	34,864	31,341	3,840	101.10	71.47	37,870	76.70
Minnesota	14,594	13,865	3,523	729	79.35	72.51	12,355	69.88
Mississippi	80,804					74.37	80,747	53.95
Missouri	71,632					70.76	89,727	83.53
Montana	2,862	2,674	702	188	74.82	66.82	2,328	69.10
Nebraska	6,751					62.65	6,403	65.86
Nevada	3,077	2,253	2,155	824	90.73	60.27	2,643	76.93
New Hampshire	2,503					56.56	4,377	49.17
New Jersey	22,431	20,713	16,359	1,718	104.86	75.73	19,345	80.81
New Mexico	8,165					86.37	57.80	57.80
New York	107,095	89,631	85,553	17,464	140.95	82.51	108,633	108.32
North Carolina	47,180					74.86	30,789	81.46
North Dakota	3,553					72.22	3,751	98.34
Ohio	43,315	41,821	9,543	1,494	77.38	74.18	43,566	63.70
Oklahoma	52,220					77.21	51,152	67.23
Oregon	7,567					72.42	7,508	84.94
Pennsylvania	44,861	43,692	36,028	1,269	97.86	81.58	36,686	70.39
Rhode Island	4,086	3,450	2,956	636	90.38	58.30	46.82	72.46
South Carolina	24,437	24,261	1,075	176	84.01	83.39	17,507	57.11
South Dakota	3,733	3,606	827	127	77.85	70.87	3,170	66.43
Tennessee	55,401	55,001	3,345	400	80.83	79.83	45,508	54.82
Texas	173,745					72.60	170,955	54.40
Utah	2,674	2,538	282	136	81.05	80.50	2,528	59.36
Vermont	3,243					65.24	3,938	75.43
Virginia	17,744					80.34	13,827	79.35
Washington	17,028	16,112	14,666	916	94.69	69.18	16,590	75.90
West Virginia	13,252					86.16	11,401	76.83
Wisconsin	19,167	14,975	13,173	4,192	127.48	66.41	13,074	89.57
Wyoming	1,139	1,039	646	110	71.76	66.96	1,164	66.44

Source: SSA and NCSS

NUMBER OF RECIPIENTS AND AVERAGE PAYMENT UNDER FEDERAL SSI, JANUARY 1974, AND NUMBER OF RECIPIENTS AND AVERAGE PAYMENT UNDER OAA,
OCTOBER 1973, FOR 31 STATES WITH FEDERALLY ADMINISTERED STATE SUPPLEMENTATION

State	Number		Average monthly payment						State rank			
	SSI and State supplementation, January 1974		SSI and State supplementation, January 1974				Ratio to OAA recipients, October 1973					
	OAA, October 1973	Total	OAA, October 1973	Amount	Ratio to OAA payment, October 1973							
(A)	(B)	(C)	(D)	(E)	(F)	(A)	(B)	(C)	(D)	(E)	(F)	
Total, 31 States.....	1, 115, 119	1, 177, 071	1.06									
Arkansas.....	56,636	57,213	1.01	\$67.95	\$77.49	1.14	7	6	125	22	27	122
California.....	285,797	286,138	1.00	111.17	146.22	1.32	1	1	28	2	1	19
Delaware.....	2,848	3,034	1.07	83.72	85.37	1.02	27	28	118	7	16	30
District of Columbia.....	4,202	4,706	1.12	96.11	96.75	1.01	23	23	15	5	9	31
Florida.....	67,276	71,788	1.07	83.02	96.28	1.16	5	5	118	8	10	21
Georgia.....	82,210	87,583	1.07	58.76	79.87	1.36	4	4	118	23	21	6
Hawaii.....	3,132	3,584	1.14	109.26	127.66	1.17	26	26	110	3	3	119
Illinois.....	31,411	35,919	1.14	72.65	78.73	1.03	12	12	110	15	23	126

Indiana.....	13,534	15,320	1.13	56.90	70.98	1.25	16	17	112	30	31	113
Iowa.....	10,965	12,163	1.11	68.94	91.82	1.23	20	20	16	20	12	17
Kansas.....	8,510	9,616	1.13	61.54	75.79	1.23	22	22	12	26	28	16
Louisiana.....	102,689	104,668	1.01	73.47	82.97	1.13	3	3	125	14	18	24
Maine.....	11,720	11,885	1.01	75.09	78.61	1.05	19	21	125	13	24	29
Maryland.....	10,041	12,428	1.24	67.84	90.34	1.33	21	19	3	21	15	17
Massachusetts.....	57,233	56,877	.99	112.93	126.79	1.12	6	7	129	1	5	25
Michigan.....	37,870	38,704	1.02	76.70	101.10	1.32	10	11	29	11	7	19
Minnesota.....	12,355	14,594	1.18	69.88	79.35	1.14	18	18	16	18	22	122
Missouri.....	2,528	2,862	1.13	69.10	74.82	1.08	1	29	12	19	29	126
Montana.....	2,643	3,077	1.16	76.93	90.73	1.18	28	27	18	10	13	18
Nevada.....	19,345	22,131	1.16	80.81	104.66	1.30	13	14	18	9	6	11
New Jersey.....	108,633	107,095	.99	108.32	140.95	1.30	2	2	129	4	2	11
New York.....	43,566	43,315	.99	63.70	77.98	1.22	9	10	129	25	23	17
Pennsylvania.....	36,686	44,861	1.23	70.39	97.86	1.39	11	9	4	17	8	4
Rhode Island.....	3,768	4,086	1.08	72.46	90.38	1.25	24	24	17	16	14	113
South Carolina.....	17,507	24,437	1.40	57.11	84.01	1.47	14	13	2	29	17	11
South Dakota.....	3,170	3,733	1.18	66.48	77.85	1.17	25	25	16	23	26	119
Tennessee.....	45,508	55,401	1.22	54.82	80.83	1.47	8	8	5	31	20	11
Utah.....	2,528	2,674	1.06	59.36	81.06	1.37	1	30	21	27	19	5
Washington.....	16,590	17,028	1.03	75.90	94.89	1.25	15	16	122	12	11	113
Wisconsin.....	13,074	19,167	1.47	89.57	127.48	1.42	17	15	1	6	4	3
Wyoming.....	1,164	1,199	1.03	66.44	71.76	1.08	31	31	122	24	30	126

¹ Tied in ranking. States with identical quantities receive identical rank number with following rank number(s) skipped to allow for number in tie.

Source: SSA and NCSS.

SSI PAYMENTS, NATIONAL SUMMARY—MARCH 1974

Category	Recipients	Federal	State	Total
Aged.....	1,894,409	\$144,884,140	\$47,193,175	\$192,067,315
Blind.....	73,124	7,580,726	3,093,088	10,673,814
Disabled.....	1,273,567	140,654,822	43,846,762	184,491,584
Total.....	3,241,100	293,119,688	94,133,025	387,232,713

SSI PAYMENTS—TOTAL ALL CATEGORIES—APRIL 1974

	Total number of payments	Total Federal payments	Total State payments	Total Federal and State payments	Total SSI payment	Basic Federal payment	Total State payments
United States..	3,242,766	\$1,864,096	\$244,216	\$1,134,454	\$367,578,822	\$275,130,089	\$92,448,733
Alabama.....	124,393	124,392	-----	1	10,344,512	10,344,456	56
Alaska.....	2,578	2,578	-----	-----	266,727	266,727	-----
Arizona.....	22,869	22,869	-----	-----	2,271,916	2,271,916	-----
Arkansas.....	73,109	54,457	1,440	17,212	6,420,199	5,749,521	670,678
California.....	515,275	12,493	136,815	365,967	81,592,932	34,046,055	47,546,877
Colorado.....	35,683	35,683	-----	-----	3,036,797	3,036,797	-----
Connecticut.....	17,267	17,267	-----	-----	1,638,341	1,638,341	-----
Delaware.....	5,226	1,696	606	2,924	517,249	393,046	124,203
District of Columbia..	14,308	10,332	431	3,545	1,644,407	1,537,002	107,405
Florida.....	104,166	91,331	1,188	11,647	11,499,378	10,416,001	1,083,377
Georgia.....	131,716	112,802	3,339	15,575	12,429,113	11,315,763	1,113,350
Hawaii.....	6,618	1,355	423	4,840	935,319	583,925	351,394
Idaho.....	6,423	6,423	-----	-----	545,504	545,504	-----
Illinois.....	124,475	80,850	4,232	39,393	13,450,914	11,799,112	1,651,802
Indiana.....	29,348	23,796	1,497	4,055	2,357,426	2,157,580	199,846
Iowa.....	18,402	15,525	280	2,597	1,563,409	1,420,419	142,990
Kansas.....	17,523	15,079	238	2,206	1,526,942	1,401,006	125,936
Kentucky.....	75,578	75,578	-----	-----	7,566,137	7,566,137	-----
Louisiana.....	130,705	91,135	4,462	35,108	12,741,812	11,098,665	1,643,147
Maine.....	19,668	10,208	2,578	6,882	1,878,658	1,392,174	486,484
Maryland.....	39,374	34,613	681	4,080	4,522,380	4,283,697	238,683
Massachusetts.....	94,037	306	26,520	67,211	12,823,817	5,446,310	7,377,507
Michigan.....	92,634	5,581	6,783	80,270	11,310,470	7,972,397	3,338,073
Minnesota.....	31,142	22,755	1,119	7,268	2,897,127	2,487,441	409,686
Mississippi.....	111,764	111,763	-----	-----	9,561,781	9,561,776	5
Missouri.....	95,950	95,950	-----	-----	7,937,006	7,937,006	-----
Montana.....	6,344	4,912	193	1,229	599,602	554,742	44,860
Nebraska.....	13,248	13,248	-----	-----	1,066,356	1,066,356	-----
Nevada.....	3,255	306	758	2,191	305,938	162,393	143,545
New Hampshire.....	4,031	4,031	-----	-----	284,218	284,218	-----
New Jersey.....	47,129	9,763	3,404	33,962	5,553,798	4,111,419	1,442,379
New Mexico.....	19,378	19,378	-----	-----	1,985,042	1,985,042	-----
New York.....	284,508	9,901	30,077	244,530	45,607,029	27,874,687	17,732,342
North Carolina.....	97,059	97,059	-----	-----	9,039,123	9,039,123	-----
North Dakota.....	5,915	5,915	-----	-----	504,856	504,856	-----
Ohio.....	97,684	87,870	1,812	8,002	9,936,848	9,472,240	464,608
Oklahoma.....	75,846	75,846	-----	-----	6,793,865	6,793,865	-----
Oregon.....	18,552	18,552	-----	-----	1,725,450	1,725,450	-----
Pennsylvania.....	98,037	6,179	2,021	89,837	10,790,730	9,406,378	1,384,352
Rhode Island.....	10,761	1,257	1,305	8,199	1,108,405	729,135	379,270
South Carolina.....	45,443	43,333	286	1,819	4,478,057	4,289,066	188,991
South Dakota.....	5,951	4,702	146	1,103	535,190	468,979	66,211
Tennessee.....	93,841	89,436	765	5,640	9,241,104	8,744,199	496,905
Texas.....	211,727	211,726	-----	1	16,981,239	16,981,226	13
Utah.....	7,655	6,541	354	760	781,330	721,665	59,665
Vermont.....	6,098	6,098	-----	-----	533,085	533,085	-----
Virginia.....	37,337	37,337	-----	-----	3,522,311	3,522,311	-----
Washington.....	46,270	2,712	1,708	41,850	5,595,451	4,421,613	1,173,838
West Virginia.....	27,513	27,513	-----	-----	2,940,800	2,940,800	-----
Wisconsin.....	36,769	4,257	8,625	23,887	4,200,948	1,956,770	2,244,178
Wyoming.....	2,194	1,402	130	662	187,802	171,719	16,083

SSI PAYMENTS—AGED

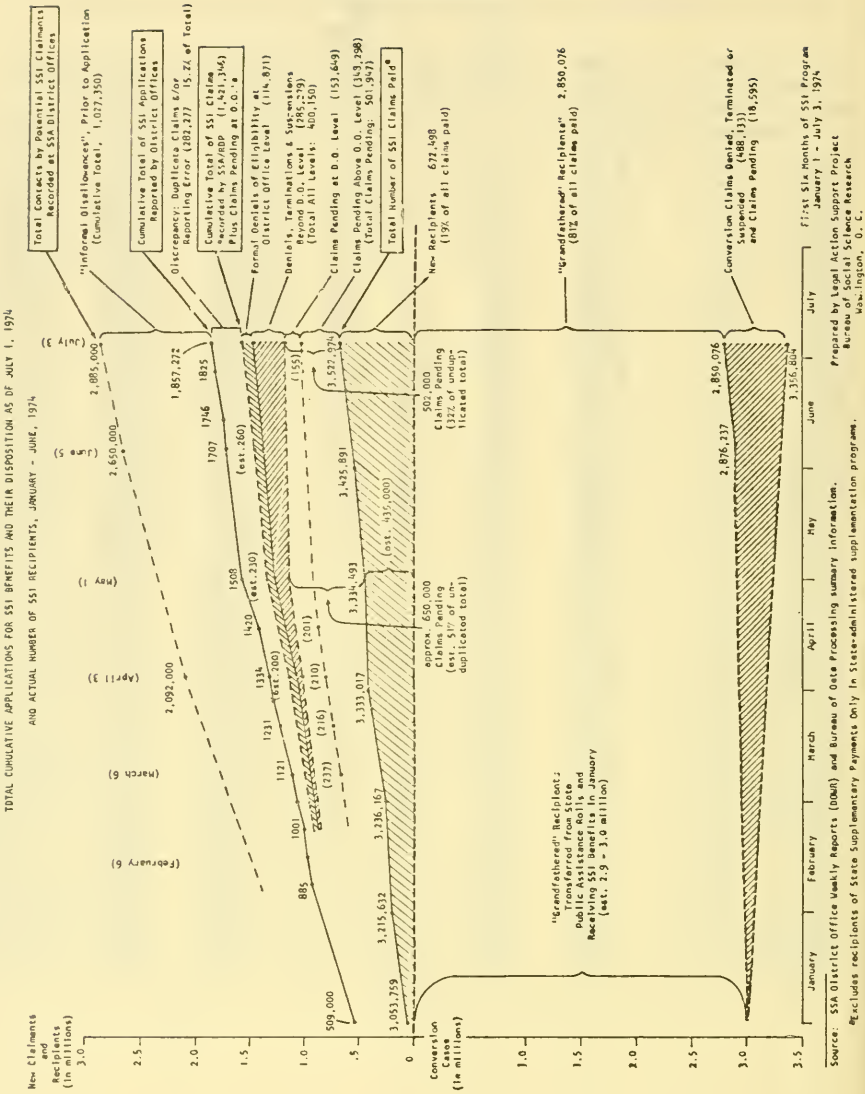
April 1974	Total number	Total Federal	Total State	Total Federal and State	Total SSI	Basic Federal	Total State
United States.....	1, 891, 079	1, 179, 107	175, 280	536, 692	\$180, 281, 484	\$132, 495, 003	\$47, 786, 481
Alabama.....	100, 264	100, 263	-----	1	7, 702, 001	7, 701, 945	56
Alaska.....	1, 080	1, 080	-----	-----	85, 335	85, 335	-----
Arizona.....	12, 067	12, 067	-----	-----	1, 015, 644	1, 015, 644	-----
Arkansas.....	56, 054	40, 231	1, 231	14, 592	4, 749, 581	4, 151, 936	597, 645
California.....	281, 000	3, 967	99, 915	177, 118	37, 767, 684	12, 597, 449	25, 170, 236
Colorado.....	21, 934	21, 934	-----	-----	1, 550, 393	1, 550, 393	-----
Connecticut.....	6, 827	6, 827	-----	-----	482, 560	482, 560	-----
Delaware.....	2, 816	3, 365	429	2, 022	234, 882	159, 247	75, 635
District of Columbia.....	4, 515	2, 953	165	1, 397	420, 513	386, 165	34, 349
Florida.....	72, 789	63, 085	716	8, 988	7, 965, 718	7, 002, 054	963, 664
Georgia.....	86, 689	72, 241	2, 342	12, 106	7, 770, 431	6, 821, 529	948, 902
Hawaii.....	3, 617	895	282	2, 440	440, 126	260, 512	179, 615
Idaho.....	3, 093	3, 093	-----	-----	219, 771	219, 771	-----
Illinois.....	37, 204	28, 349	1, 561	7, 294	2, 929, 586	2, 554, 554	375, 032
Indiana.....	16, 444	13, 024	747	2, 673	1, 175, 107	1, 052, 890	122, 217
Iowa.....	13, 099	11, 702	197	1, 200	1, 018, 953	929, 229	89, 724
Kansas.....	9, 937	8, 779	148	1, 010	767, 904	704, 094	63, 810
Kentucky.....	52, 692	52, 692	-----	-----	4, 779, 191	4, 779, 191	-----
Louisiana.....	100, 479	62, 277	4, 139	34, 063	9, 369, 709	7, 781, 984	1, 587, 725
Maine.....	11, 429	5, 196	1, 789	4, 444	897, 105	618, 549	278, 556
Maryland.....	13, 285	11, 235	310	1, 740	1, 196, 504	1, 084, 670	111, 834
Massachusetts.....	59, 981	157	21, 891	37, 933	6, 967, 591	2, 369, 476	4, 598, 115
Michigan.....	39, 194	2, 972	3, 352	32, 870	3, 808, 540	2, 620, 662	1, 187, 878
Minnesota.....	15, 062	11, 897	501	2, 664	1, 153, 098	1, 042, 752	110, 346
Mississippi.....	80, 652	80, 652	-----	-----	6, 222, 836	6, 222, 863	-----
Missouri.....	69, 682	69, 682	-----	-----	5, 155, 693	5, 155, 693	-----
Montana.....	2, 875	2, 311	88	476	202, 952	184, 629	18, 323
Nebraska.....	7, 066	7, 066	-----	-----	460, 593	460, 593	-----
Nevada.....	2, 903	67	725	2, 111	272, 949	138, 325	134, 624
New Hampshire.....	2, 555	2, 555	-----	-----	145, 514	145, 514	-----
New Jersey.....	23, 843	4, 768	2, 134	16, 941	2, 396, 946	1, 690, 390	706, 556
New Mexico.....	8, 597	8, 597	-----	-----	762, 548	762, 548	-----
New York.....	112, 968	5, 316	21, 772	85, 880	14, 404, 388	7, 489, 723	6, 914, 665
North Carolina.....	52, 735	52, 735	-----	-----	3, 962, 534	3, 962, 534	-----
North Dakota.....	3, 771	3, 771	-----	-----	277, 086	277, 086	-----
Ohio.....	43, 632	38, 187	763	4, 682	3, 516, 815	3, 259, 281	257, 534
Oklahoma.....	51, 705	51, 705	-----	-----	4, 159, 549	4, 159, 549	-----
Oregon.....	7, 753	7, 753	-----	-----	536, 121	536, 121	-----
Pennsylvania.....	46, 398	3, 964	771	41, 663	4, 255, 001	3, 676, 076	578, 925
Rhode Island.....	4, 559	413	874	3, 272	349, 176	210, 102	139, 074
South Carolina.....	27, 247	25, 846	139	1, 262	2, 420, 724	2, 264, 282	156, 442
South Dakota.....	3, 837	3, 131	93	613	307, 244	268, 837	38, 407
Tennessee.....	58, 386	54, 044	296	4, 046	5, 126, 403	4, 712, 984	413, 419
Texas.....	174, 707	174, 706	-----	1	13, 252, 007	13, 251, 994	13
Utah.....	2, 812	2, 489	84	239	240, 698	218, 451	22, 247
Vermont.....	3, 322	3, 322	-----	-----	227, 156	227, 156	-----
Virginia.....	21, 442	21, 442	-----	-----	1, 684, 255	1, 684, 255	-----
Washington.....	17, 024	1, 056	999	14, 969	1, 552, 977	1, 135, 311	417, 666
West Virginia.....	14, 478	14, 478	-----	-----	1, 301, 166	1, 301, 166	-----
Wisconsin.....	23, 356	1, 182	6, 749	15, 425	2, 532, 789	1, 049, 795	10, 260
Wyoming.....	1, 223	588	78	557	87, 434	77, 174	10, 260

SSI PAYMENTS—BLIND

April 1974	Total number	Total Federal	Total State	Total Federal and State	Total SSI	Basic Federal	Total State
United States.....	72, 678	39, 619	5, 175	27, 884	9, 872, 924	7, 226, 350	2, 646, 574
Alabama.....	1, 966	1, 966	-----	-----	219, 671	219, 671	-----
Alaska.....	80	80	-----	-----	9, 951	9, 951	-----
Arizona.....	423	423	-----	-----	48, 779	48, 779	-----
Arkansas.....	1, 628	1, 238	14	376	188, 944	171, 218	17, 726
California.....	13, 061	414	2, 737	9, 910	2, 544, 088	996, 277	1, 547, 811
Colorado.....	311	311	-----	-----	30, 353	30, 353	-----
Connecticut.....	205	205	-----	-----	21, 725	21, 725	-----
Delaware.....	303	36	46	221	36, 086	22, 245	13, 842
District of Columbia.....	186	133	5	48	22, 035	20, 489	1, 548
Florida.....	2, 210	1, 924	30	256	264, 230	249, 339	14, 891
Georgia.....	3, 085	2, 708	56	321	357, 583	339, 826	17, 757
Hawaii.....	100	23	3	74	16, 371	11, 451	4, 921
Idaho.....	90	90	-----	-----	9, 293	9, 293	-----
Illinois.....	1, 643	1, 017	63	563	205, 650	172, 208	33, 442
Indiana.....	1, 151	851	75	225	174, 501	108, 958	15, 543
Iowa.....	934	92	30	812	103, 842	87, 897	15, 945
Kansas.....	351	271	10	70	39, 811	35, 391	4, 420
Kentucky.....	1, 982	1, 982	-----	-----	271, 760	271, 760	-----
Louisiana.....	2, 049	1, 854	27	168	253, 710	245, 593	8, 117
Maine.....	273	173	16	84	32, 278	26, 003	6, 275
Maryland.....	431	304	8	119	54, 617	49, 113	5, 504
Massachusetts.....	2, 831	45	904	1, 882	454, 685	171, 726	282, 959
Michigan.....	1, 629	56	94	1, 479	222, 266	167, 843	54, 423
Minnesota.....	769	449	45	275	93, 296	77, 745	15, 551
Mississippi.....	2, 003	2, 003	-----	-----	238, 915	238, 915	-----
Missouri.....	2, 771	2, 771	-----	-----	252, 271	252, 271	-----
Montana.....	157	101	8	48	16, 601	14, 318	2, 283
Nebraska.....	230	230	-----	-----	24, 715	24, 715	-----
Nevada.....	104	5	27	72	15, 484	7, 086	8, 398
New Hampshire.....	179	179	-----	-----	15, 158	15, 158	-----
New Jersey.....	849	202	57	590	107, 252	80, 334	26, 918
New Mexico.....	394	394	-----	-----	44, 198	44, 198	-----
New York.....	3, 921	124	285	3, 512	662, 169	414, 083	248, 086
North Carolina.....	4, 112	4, 112	-----	-----	461, 644	461, 644	-----
North Dakota.....	50	50	-----	-----	5, 899	5, 899	-----
Ohio.....	2, 292	1, 960	53	279	260, 069	247, 363	12, 706
Oklahoma.....	1, 048	1, 048	-----	-----	126, 161	126, 161	-----
Oregon.....	598	598	-----	-----	60, 978	60, 978	-----
Pennsylvania.....	5, 613	101	448	5, 064	674, 261	475, 036	199, 225
Rhode Island.....	158	9	17	132	19, 896	13, 443	6, 453
South Carolina.....	1, 952	1, 720	17	215	226, 075	212, 938	13, 137
South Dakota.....	95	62	2	31	12, 107	9, 865	2, 242
Tennessee.....	1, 591	1, 506	18	67	198, 663	195, 033	3, 630
Texas.....	3, 581	3, 581	-----	-----	410, 890	410, 890	-----
Utah.....	151	105	11	35	17, 363	14, 943	2, 420
Vermont.....	70	70	-----	-----	7, 074	7, 074	-----
Virginia.....	1, 277	1, 277	-----	-----	146, 005	146, 005	-----
Washington.....	425	34	14	377	56, 234	44, 499	11, 735
West Virginia.....	543	543	-----	-----	69, 060	69, 060	-----
Wisconsin.....	797	169	52	576	115, 121	67, 038	48, 083
Wyoming.....	26	20	3	3	3, 162	2, 571	591

SSI PAYMENTS—DISABLED

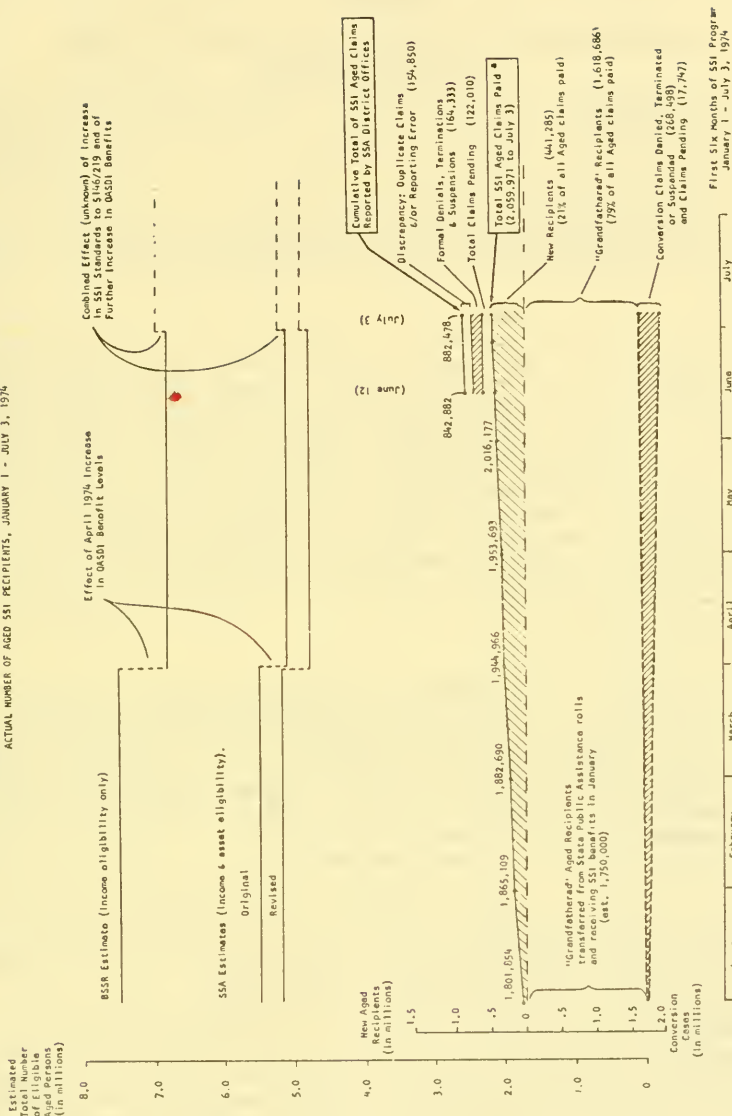
April 1977	Total number	Total Federal	Total State	Total Federal and State	Total SSI	Basic Federal	Total State
United States.....	1, 279, 009	6 5, 370	63, 761	569, 878	177, 2 , 1	135, 08, 736	2, 015, 678
Alabama.....	22, 163	22, 163			2, 22, 8 1	2, 22, 8 1	
Alaska.....	1, 18	1, 18			171, 3 2	171, 2	
Arizona.....	10, 379	10, 379			1, 207, 9	1, 207, 9	
Arkansas.....	15, 27	12, 988	195	2, 2	1, 81, 675	1, 26, 368	55, 307
California.....	221, 21	8, 112	3 , 163	178, 939	1, 281, 160	20, 52, 330	20, 828, 831
Colorado.....	13, 38	13, 38			1, 56, 053	1, 56, 053	
Connecticut.....	10, 235	10, 235			1, 13, 056	1, 13, 056	
Delaware.....	2, 107	1, 295	131	681	2 6, 281	211, 554	34, 728
District of Columbia.....	9, 607	7, 246	261,	2, 100	1, 201, 859	1, 130, 349	71, 511
Florida.....	29, 167	26, 322	442	2, 403	3, 269, 431	3, 164, 608	104, 824
Georgia.....	41, 942	37, 853	941	3, 148	4, 301, 101	4, 154, 409	146, 692
Hawaii.....	2, 901	437	138	2, 326	478, 823	311, 964	166, 860
Idaho.....	3, 240	3, 240			316, 442	316, 442	
Illinois.....	85, 628	5, 484	2, 608	31, 536	10, 315, 679	9, 072, 351	1, 243, 328
Indiana.....	11, 753	9, 921	675	1, 157	1, 057, 819	995, 733	62, 086
Iowa.....	4, 369	3, 731	53	585	440, 615	403, 293	37, 322
Kansas.....	7, 235	6, 029	80	1, 126	719, 228	661, 522	57, 706
Kentucky.....	20, 904	20, 904			2, 515, 187	2, 515, 187	
Louisiana.....	28, 177	27, 004	296	877	3, 118, 394	3, 071, 908	47, 305
Maine.....	7, 966	4, 839	773	2, 354	949, 276	747, 623	201, 653
Maryland.....	25, 658	23, 074	363	2, 221	3, 271, 260	3, 149, 914	121, 346
Massachusetts.....	31, 225	104	3, 725	27, 396	5, 401, 541	2, 905, 108	2, 496, 433
Michigan.....	51, 811	2, 553	3, 337	45, 921	7, 279, 666	5, 183, 893	2, 095, 773
Minnesota.....	15, 311	10, 409	573	4, 329	1, 650, 734	1, 366, 945	283, 789
Mississippi.....	29, 109	29, 108		1	3, 100, 004	3, 099, 999	5
Missouri.....	23, 497	23, 497			2, 529, 042	2, 529, 042	
Montana.....	3, 302	2, 500	97	705	380, 050	355, 796	24, 254
Nebraska.....	5, 952	5, 952			582, 049	581, 049	
Nevada.....	348	234	6	8	17, 505	16, 582	523
New Hampshire.....	1, 297	1, 297			123, 547	123, 547	
New Jersey.....	22, 437	4, 793	1, 213	16, 431	3, 049, 602	2, 340, 696	708, 906
New Mexico.....	10, 387	10, 387			1, 178, 296	1, 178, 296	
New York.....	167, 619	4, 461	8, 020	155, 138	30, 540, 473	19, 970, 881	10, 469, 592
North Carolina.....	40, 212	40, 212			4, 614, 947	4, 614, 947	
North Dakota.....	2, 904	2, 094			221, 873	221, 873	
Ohio.....	51, 760	47, 723	996	3, 041	6, 159, 966	5, 965, 597	194, 3
Oklahoma.....	23, 093	23, 093			2, 508, 156	2, 508, 156	
Oregon.....	10, 201	10, 201			1, 128, 352	1, 128, 352	
Pennsylvania.....	46, 026	2, 114	802	43, 110	5, 861, 469	5, 255, 266	606, 203
Rhode Island.....	6, 044	835	414	4, 695	739, 333	505, 590	233, 743
South Carolina.....	16, 244	15, 772	130	342	1, 831, 858	1, 811, 846	19, 412
South Dakota.....	2, 019	1, 509	51	459	815, 839	190, 277	25, 562
Tennessee.....	33, 864	31, 886	451	1, 527	3, 916, 039	3, 836, 183	79, 856
Texas.....	33, 439	33, 439			3, 318, 343	3, 318, 343	
Utah.....	4, 692	3, 947	259	486	523, 270	488, 272	34, 998
Vermont.....	2, 706	2, 706			298, 856	298, 856	
Virginia.....	14, 618	14, 618			1, 692, 051	1, 692, 051	
Washington.....	28, 821	1, 622	695	26, 504	3, 986, 240	3, 241, 803	744, 437
West Virginia.....	12, 492	12, 492			1, 570, 574	1, 570, 574	
Wisconsin.....	12, 616	2, 506	1, 824	7, 886	1, 553, 039	839, 937	713, 102
Wyoming.....	945	794	49	102	97, 206	91, 974	5, 232



ESTIMATED NUMBER OF AGED PERSONS ELIGIBLE FOR SSI BENEFITS AND/OR STATE SUPPLEMENTARY PAYMENTS

AND

ACTUAL NUMBER OF AGED SSI RECIPIENTS, JANUARY 1 - JULY 3, 1974



Sources: SSA District Office Weekly Reports (OWR) and Bureau of Data Processing Summary Information. Includes recipients of State Supplementary Payments only in State-administered supplementation programs.

Prepared by Legal Action Support Project
Bureau of Social Sciences Research, Inc.
Washington, D.C.

Appendix 2

STATEMENTS FROM INDIVIDUALS AND ORGANIZATIONS

ITEM 1. STATEMENT OF CHAUNCEY A. ALEXANDER, ACSW, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF SOCIAL WORKERS

This statement is being submitted on behalf of the National Association of Social Workers, the largest organization of professional Social Workers in the world. We represent 60,000 members in 154 chapters located in all fifty states, the District of Columbia, Puerto Rico, the Virgin Islands and Europe. We appreciate the opportunity to present our views on the Supplemental Security Income Program.

NASW members are employed and active in public welfare programs across the country. Our members are engaged in every aspect of social service delivery and hold positions at all levels of planning, administration and delivery of service. We are particularly concerned with problems of the elderly. Our Task Force on Social Work Services to the Aging, composed of authorities in the field, has provided a focal point for membership interest and activity. In addition we are currently conducting a national training program for social service designees and consultants working in long-term care facilities. Our involvement and familiarity with geriatric problems, especially with the provision of assistance to the aged, has led us to follow the SSI program with considerable interest. Members from many of our chapters who are directly engaged in providing both financial and social service assistance to these needy persons have brought to our attention their concerns regarding the operations of the SSI program. We would like to comment on some of the major problems which we have noted during the program's short existence.

SSI and Welfare Reform

The introduction of the Supplemental Security Income Program, 1/1/74, marked a major shift in welfare policy and administration for low-income aged, blind, and disabled persons. The program was clearly intended as an attempted reform of the existing state welfare programs for the above-mentioned groups. Under SSI, the variety of existing state eligibility requirements and levels of income support were replaced with uniform eligibility rules and a federally-determined income floor. It was hoped that uniform eligibility standards and federal administration would result in more equitable, economical and efficient administration of assistance to needy aged persons.

The introduction of SSI increased benefit levels for a substantial number of persons in many states which had previously paid less than the new federally-determined amount. Also, through the program's more liberal eligibility rules, the potential scope of assistance was extended to many persons who had previously been ineligible. In these respects, SSI represents a positive step toward providing greater financial security for our needy aged.

However, despite the spirit and intended effect of the legislation, we find that the program to date has fallen short of its objectives. Many problems have emerged in its operation which run counter to the goals of simplifying welfare administration, guaranteeing recipients an adequate standard of living, and extending aid to many additional low-income persons. Some of these difficulties may be of a temporary nature—such as delays in processing applications and verification of an applicant's disability—and may respond to closer administrative attention, more adequate staffing, staff training and supervision. Others, such as gaps in service delivery, appear to be the part of a general pattern of problems which have emerged during the course of the program's initial six months of operation and which demand serious reappraisal.

Simplifying Welfare Administration

Many of the gains in administrative efficiency which SSI sought, have been offset by states' exercise of their option to administer supplemental benefits and eligibility procedures themselves. Where states have opted to administer supplemental benefits, overlap and division of responsibilities have frequently resulted. In practice this has often led to gaps in the provision of assistance to applicants.

States which have elected to administer their own supplementation program are not bound by federal requirements with respect to eligibility conditions, income exclusions and so on. As a consequence, applicants must go to separate offices and undergo two application processes with different eligibility rules in order to secure assistance. Many eligible individuals are unaware of their option to apply for supplemental benefits. Others must subject themselves to the dual application process in order to learn if they are eligible for additional aid. More is needed beyond the present financial incentives if states are to relinquish administration of the supplemental benefits programs to the Social Security Administration.

Verification procedures used to determine applicant eligibility are much the same as under the old state programs. The only real difference is that SSA personnel now process these. The time involved has resulted in long delays for many SSI applicants with no recourse to other assistance. The lack of emergency assistance procedures, in the case of lost, stolen or undelivered checks has, in particular, caused undue hardship for clients.

Levels of Support

According to a survey conducted by the Congressional Subcommittee on Fiscal Policy (Studies in Public Welfare, Paper No. 10, "The New Supplemental Security Income Program—Impact on Current Benefits and Unresolved Issues," October 7, 1973) it was estimated that SSI would increase cash benefits levels in areas covering about one-third of current recipients of old-age assistance. Consequently, the introduction of SSI would raise the incomes of the poorest recipients of OAA under the old state welfare programs. However, due to the states' option of whether or not to supplement new applicants' benefits, in those states where the payment standards were higher before the introduction of SSI, many new applicants stand to lose. The federally guaranteed payment standard does not lift recipients to or above the low-income level established by the Social Security Administration. NASW believes it is imperative that these persons be assured of income sufficient to meet their needs and lift them from poverty. Benefits for recipients under SSI must be increased accordingly.

Aside from the question of difference between the SSA-defined low-income level and the amount of guarantee, other matters must be addressed. Inflation, for example, hits hardest those living on fixed incomes. SSI recipients in particular cannot make ends meet without appropriate adjustments to insure that inflation does not erode their purchasing power. It also makes little sense, considering that an estimated 70% of all SSI recipients also receive Social Security checks, to reduce their SSI payments in direct proportion to increases in Social Security benefits over \$20.00 a month. If we intend this vulnerable group to have a more adequate standard of living, they should certainly be permitted to retain any benefits which accrue from increases in Social Security.

Extending Assistance to Low-Income Persons

One of the intended objectives of the SSI program was to reach millions of needy low-income persons who were not being served by the old state programs. We believe much more must be done to reach these individuals.

At his testimony before the Special Committee on Aging, James B. Cardwell, Commissioner of the Social Security Administration, stated that as of July 1, 1974, 3.6 million elderly persons out of a potentially eligible seven million were receiving SSI checks. His estimates indicated that by July 1, 1975 nearly five million elderly citizens are expected to be on the SSI rolls. NASW urges SSA to speed up its efforts to recruit and process these individuals.

We were particularly perplexed by Mr. Cardwell's comment that one million people thought to be eligible will probably never participate in SSI despite efforts to enroll them. We urge that this Committee not permit so many indigent older and disabled Americans to be written off as unreachable. Lack of information about SSI, fear, emotional problems, language and cultural barriers, transiency, and the like should not stand between the doors of SSA offices and individuals in need. If special outreach efforts or demonstration projects are required, the necessary staff, technical assistance and other resources must be made available.

Beyond outreach efforts such as the SSI-Alert, which are in progress, other problem areas must be addressed if needy individuals are to be aided. Of primary concern are the present income and resource tests which constitute major barriers to eligibility. As previously noted, eligibility rules under the SSI program were to be more liberal than those which were in use in many states. The intended effect was to enlarge the universe of eligible persons. Yet certain elements in the design and administration of the program have thwarted this objective. For example, the number of items that must be included in determining an applicant's unearned income render this task so difficult that rules are often not applied uniformly.

Frequently people in similar circumstances have had different decisions made about their applications. For instance, individuals receiving free shelter must have the rental value imputed as unearned income. In one case this caused an individual to be denied eligibility. While in another case, under almost identical circumstances, the individual was determined eligible, although reduction of the rental value of the free shelter reduced his SSI grant substantially.

In other instances, inequities have stemmed from decisions regarding the value of certain resources. In particular, home valuations have varied considerably between rural and urban areas. We have received many reports, from rural areas throughout the country, of needy individuals who have been denied eligibility as a consequence of present treatment of resources under SSI.

Pending Legislation

Many of the issues associated with the new program have already received attention and legislation has been proposed to correct them. The areas in need of rectification, concern primarily some of the glaring administrative snarls which in many cases have caused undue hardships for SSI applicants and recipients. Certain of these legislative proposals are addressed to the adequacy of the benefits available under the SSI program; others to some of the resource test regulations. Among the various substantive proposals to amend SSI in response to problems such as those we have discussed, NASW endorses the following measures:

1. Provision for emergency assistance grants to SSI recipients in the case of lost, stolen, or undelivered checks;
2. Reimbursement to states for home-relief payments to disabled applicants prior to formal determination of their eligibility;
3. Requirement that applications for SSI benefits be acted upon within 30 days in the case of aged and blind individuals, and within 60 days in the case of disabled individuals;
4. Provision for direct payments to drug addicts and alcoholics in certain cases, (i.e., when the chief medical officer of the institution where such an individual is undergoing treatment certifies that payment of such benefits directly to an individual or spouse would be of significant therapeutic value and there is substantial reason to believe that he would not misuse the funds);
5. Authorization for cost of living increases in SSI benefits parallel to cost of living increase provisions of Social Security;
6. Prohibiting reductions in SSI benefits because of Social Security increases;
7. Liberalizing the existing resource test regulations; in particular, taking into account regional variations in determining home value.

We believe these proposed amendments address many of the key shortcomings in the SSI program. They would help eliminate some of the administrative problems that have caused hardship for many SSI recipients, they would help to provide a more adequate level of support and, by liberalizing the resource test, would help to insure that many more low-income persons are reached.

SSI and Social Service Needs

Unfortunately, even with the above-mentioned amendments, the program, contrary to the intent of Congress, would still not fully reach nor effectively serve the targeted population. In particular, the social service needs of this group must be dealt with if they are to be helped efficiently and adequately.

The SSI program was aimed at establishing a uniform income floor without regard to the special needs or circumstances of the target population. There is probably no real question that, consistent with the spirit of the legislation, this type of uniformity was essential if welfare policy and administration were to be simplified. However, cash alone cannot deal effectively with many of

the individual needs of the population in question. As the National Council on Aging perceptively observed a few years ago:

It is important to recognize that the elimination of poverty and its consequence cannot be achieved by money alone. If the income of all the elderly poor were immediately raised above the poverty level, many would soon be obliged to live in poor housing, exist in poor health without medical services, make do with poor transportation facilities or none at all, and have little social contact with family and friends.

It has been suggested that if income were increased sufficiently other programs would not be needed. This is not the case. The national lack of services and facilities in such areas as housing, health and transportation can be met only through government stimulation, support and standard-setting. To expect that the elderly poor will soon be able to supply all their needs, even if their income is raised, is comparable to asking individual families to pay for the cost of education of their children out of their own current incomes. (*Project Find*, National Council on Aging, 1970, p. 146).

Without the provision of supportive services, serious questions arise as to the adequacy and the wisdom of the new program. When important service need go unmet; services which help beneficiaries "attain or retain capability for self-support or self care," recipients are negatively affected.

In our view, the lack of a coordinated system of cash aid and services contributes to the difficulties experienced by the needy aged and disabled. While recognizing the strong case for separating financial assistance and social services, we note that numerous problems and diminished efficiency stem directly from the separate administration of cash and services. SSA personnel carry responsibility for cash assistance while state welfare agencies continue to be responsible for meeting the social service needs of the eligible population. Often clients are not informed of or referred to the appropriate agency. Consequently the service needs of many SSI recipients are unmet or unnecessarily delayed. The lack of appropriate structures such as information/referral, access to transportation, and so on, to insure social service linkages for clients is a critical problem.

The difficulty goes beyond this. As this Committee is aware, Titles I, X, XIV, and XVI were repealed by P.L. 92-603 and replaced by Title VI. States are authorized but not required to provide services to recipients. However, in view of the current ceiling on expenditures, curtailment of services remains a danger—one which would further exacerbate existing problems. Any expansion of services in the foreseeable future appears even more unlikely.

Another concern is the relative absence of services in many rural communities of low population density. In such areas it is often very easy to justify on grounds of economy or administrative efficiency the elimination or centralization of service operations. Yet there are the very areas where services of all types are already sparse and where the county welfare office sometimes represents virtually the only place where people can go for any type of help.

The problem of providing for the service needs of this population goes beyond a mere lack of a good information/referral system. The increase in demand for services, due to an enlarged recipient population, coupled with limitations on state social service funds, is a fundamental difficulty. This problem was identified in *Studies in Public Welfare* (Paper #10), which was prepared for the Subcommittee on Fiscal Policy of the Joint Economic Committee:

"... service funds are limited by the State's allocation under the congressionally authorized ceiling and by Federal regulations, and services to adults will have to compete for funds with services to AFDC families. The anticipated increase in the number of individuals eligible for SSI will increase service needs and costs beyond the bounds of current funding and planning of service programs."

Although state social service departments are responsible for providing services to SSI recipients, without training and adequately staffed SSA offices, the necessary linkages to ensure service provision and continuity are lacking. And as long as states continue to have responsibility for social services, restricted federal dollar support will limit their capacity to maintain an adequate program much less expand service operations to help meet the needs of millions of our senior citizens.

SSI represents an attempt to deal with the general issue of welfare reform and to insure our Nation's needy aged and disabled citizens a more appropriate standard of living. Insofar as the introduction of SSI has simplified welfare administration, raised payment standards, and extended the availability of assistance, it is a step in the right direction. Yet the introduction of SSI leaves unsolved many problems associated with administering welfare programs and reshaping welfare policy.

We appreciate that a primary thrust of SSI has been the elimination of the excessive individualization that occurred under the former multi-state plan system. However, a national program concerned only with providing basic living expenses will not meet the special service needs of the aged and disabled. Where an elderly person is in need of an essential service, be it transportation to a service agency or a homemaker, that need must not go unmet. Failure to disseminate essential information to clients, unavailability of services in rural areas, and other gaps in continuity of service can defeat the promise of the SSI program. Measures must be taken to ensure that social service needs are provided for an integral component of a comprehensive and responsive program of assistance to the elderly and disabled.

We have addressed ourselves to some of the major problems that have emerged in the SSI program to date. In summary, we urge that in addition to the pending legislative proposals discussed earlier, steps be taken to reevaluate incentives offered to the states to let SSA administer their supplemental programs, that adequate funding be provided for expansion of social services and that linkages be forged between federally administered cash assistance and state-run social services programs. Thank you for affording us the opportunity to present our view on this critical subject.

ITEM 2. STATEMENT OF BERNARD WARACH, EXECUTIVE DIRECTOR OF JEWISH ASSOCIATION FOR SERVICES FOR THE AGED—AN AFFILIATE OF THE FEDERATION OF JEWISH PHILANTHROPIES OF NEW YORK

My name is Bernard Warach, Executive Director of the Jewish Association for Services for the Aged (JASA), a member agency of Federation of Jewish Philanthropies of New York. JASA was established six years ago to develop services and housing which would assist the elderly to remain in the community. To this end JASA has been able to expand its multi-service programs with the help of grants from private foundations and of contracts with the Federal, State and City governments, under Title III of the Older American Act, and Title VI, VII and XVI of the Social Security Act.

In recent months JASA has had an open active individual case load in New York City and Nassau County averaging 5,000 cases (individuals and families over 65 years of age) per month. In addition, JASA serves over 7,000 lunches per month at its Senior Citizen centers. It also houses elderly people in specially constructed low rental apartments—about 700 units in all—with 500 or more under construction. JASA has actively participated in the SSI Alert funded by the New York City Office for the Aging and coordinated by the Community Council of Greater New York. JASA, therefore, has a deep interest and investment in the welfare of elderly people: the needy, dependent and impaired, as well as the healthy and self-sufficient. We want them to remain independent and self-sustaining as long as possible, despite inflation, ill health, loss of relatives and friends, difficulty of access to medical and home care, high rents, and vulnerability to criminal assault.

JASA shared with lawmakers and administrators, as well as colleagues the hope that the Supplementary Security Income program would alleviate some of the serious problems facing older adults. Despite valiant efforts on the part of many individuals, offices and agencies, serious problems still remain almost six months after the inception of the program. Our staff has constantly been required to intervene on behalf of potential recipients and, regrettably, the initial chaotic situation, though somewhat less confused, has become in some areas chronic. Applicants who applied in November and December have still had no word from SSI as to their eligibility. Others had an emergency grant of \$100 once and then nothing more. Others must call several times at the SSA office for their checks each month instead of getting them regularly by mail. The

amount varies monthly and inexplicably, as well as the date the check is ready for pickup.

These technical problems are multiplied by the human problems. Many of our clients are home-bound. They cannot visit SSA offices, or if they can, they cannot wait, nor come back repeatedly, nor find innumerable documents as required. They are often friendless and without families; they live in neighborhoods where the neighbors cannot be found, or perhaps trusted, to help and represent them. SSI is still not geared to doing the home visiting for the face-to-face contact required, so this group is being left to the last.

In addition, many of the most needy are malnourished and confused, caught in the vicious cycle of poor nutrition and ill health. Their problems are aggravated by their inability to prove their eligibility, even with the help of our trained staff. What must be the fate of those who are not fortunate enough to be known to a responsive social agency which knows their entitlements and can serve as advocates for them!

We believe that basically SSI has the potential to be an effective and necessary income maintenance program. In many ways the Social Security administration staff has made valiant efforts to make it operate in a humane organized and dignified manner. But there are basic problems in the provisions of SSI legislation and its administration which frustrate our common goals to ameliorate the personal, social, economic and medical problems of aging.

The conditions which JASA sees as the most serious and fundamental relate to:

- (1) The inadequacy of the basic SSI benefit amount;
- (2) The lack of Social Security increase disregards;
- (3) The loss of food stamp purchasing power;
- (4) The lack of SSI increase "pass-throughs";
- (5) The lack of provision for meeting special needs for high rents and other regionally determined costs;
- (6) The inflexibility of flat grants for people with unusual living costs for special diets, restaurant meals, etc.

These problems which relate to the *level* of the SSI financial assistance are complicated by these additional *administrative* problems:

- (1) Delayed entry into the SSI system, especially for the home-bound, who make up the highest proportion of JASA's clients;
- (2) Non-receipt of checks by persons accepted for SSI;
- (3) Receipt of checks in incorrect amounts;
- (4) Lack of emergency funds to tide people over the situations created by the first three problems;
- (5) Inadequate and poorly administered linkages to social services provided under state and city auspices.

The population which JASA serves also suffers deeply because of SSI problems associated with temporary or permanent institutionalization in domiciliary care facilities, health-related facilities and nursing homes. New SSI recipients are now barred from admission into quality, voluntary, non-profit domiciliary institutions because the SSI allotments are insufficient to pay the cost of care. These individuals are being forced into inappropriate profit-making domiciliary facilities of inferior quality and service.

In addition, since the inception of SSI, few institutionalized SSI eligible residents have received the spending money of \$20 or \$25 a month to which they were entitled in the past. This allowance was needed for such necessities as small items of clothing, personal incidentals, toilet articles and cigarettes.

In recapitulate, JASA's clients are facing serious problems because of:

- (1) The inadequate level of payments;
- (2) The continuing chaos of administration;
- (3) The lack of provision for redress in emergencies and for special needs;
- (4) The special problems of those who must be institutionalized for a short or long period of time.

We would like to cite a few examples from our case loads:

A 79 year old widower, resident for twenty years in a run-down hotel in the Lower East Side of Manhattan, was "grandfathered" in to SSI with a monthly grant of \$284. He has had five operations for cancer of the skin, and suffers also from arteriosclerosis, diabetes, arthritis and a heart condition. He lost one son in Korea; the other became drug-addicted in Vietnam and has disappeared. His hotel room rent has risen to \$53 a week. He must have a private accessible bathroom because of his medical problems. He is unable to prepare his own meals. He also needs a special diet for his diabetes.

He has to travel frequently to a variety of clinics for treatment. The net of \$54 a month provides him with a daily diet of Sanka and dry cereal for breakfast and a grilled cheese sandwich for lunch and again for supper.

The papers of a widow who is a double amputee were lost in a bureaucratic tangle for months so that she lost her housekeeper service—her very life line in fact, until JASA interceded.

Homebound clients of JASA's who applied last November for SSI have still not been seen by SSA interviewers so that their applications for assistance could be processed. Some of these have been threatened with eviction, and only through our efforts and funds were their emergencies met.

Elderly people whose costs for food are increased by the need to conform not only to medically-prescribed diets, but also to the Jewish religious laws, are severely impoverished by the ever-shrinking dollar, the lack of food stamps and the increasing portion of their budget taken by rising rents and utilities.

In many instances the new individual recipients of SSI grants, receiving \$207 a month under the program, are paying rents which average \$150 and more. There is no place for them to move, even if it were wise. As their nutrition deteriorates, their physical and mental problems multiply.

The voluntary agencies such as JASA have expended substantial philanthropic funds during these past six months to meet emergency needs. But agencies like ours are not funded to make up for the gaps in government aid programs. What is happening, and what will happen to a great extent in the future, as the twin evils of SSI's inflexible low grants and inflation aggravate the living conditions of the elderly more severely, will be accelerated and premature institutionalization at elevated human and taxpayer costs.

JASA, therefore, comes to the Senate Committee on the Aging with a plea to provide improved legislative and administrative capability for SSI, so that the elderly can remain in the community with sufficient funds to maintain their nutrition, their physical and mental health, their safety and well being, and by no means the least, their relative independence.

Among the steps we urge the Congress to take are:

- (1) Increase the basic Federal level of SSI grants, allowing for differences in needs on a regional basis at least to the poverty level as determined by the Bureau of Labor Statistics;

- (2) Legislate that all Social Security increases, as of January 1, 1974, be disregarded in determining SSI eligibility and payment amounts to SSI beneficiaries;

- (3) Legislate a pass-through of federal SSI cost of living increases and hold the states which supplement Federal SSI harmless for so doing;

- (4) Legislate eligibility for food stamps to all SSI recipients to help cushion the loss for those who were "grandfathered" in from OAA, and to assist those new recipients who are suffering so severely from the shrunken dollar;

- (5) Set up a permanent emergency system for non-receipt of checks, underpayment of grants, lost or stolen checks and interim assistance;

- (6) Enable the states to provide some flexibility for unusual living costs and special requirements, without the state having to bear the whole burden of the costs;

- (7) Increase and train the staff of local SS offices to expedite entry of eligible applicants into the SSI system, process applications and speed payments—particularly to those unable physically and mentally to negotiate the system (which can mean long lines, demands for vanished documents, repeated trips, and unexplained delays);

- (8) Mandate close linkages between SSI and local social services;

- (9) Mandate the provision of personal allowances to SSI eligibles, when inmates of institutions.

- (10) Reclassify for SSI, payments to residents of non-profit domiciliary institutions according to the type of service rendered.

JASA is most appreciative of the opportunity given to us by the Senate Special Committee on the Aging to report to you on the experience of our clientele under the SSI program in the past six months and our observations as to the improvements that need to be made. I am sure you know that a study undertaken by The Office of the Comptroller General of the United States, pointed out that only 20 cents out of every \$100 revenue sharing funds have been allocated to the elderly, despite the fact that they represent over 10% of the population and 28% of the poor. We need Congress to redress this glaring inequity and disservice to our senior citizens; they deserve better. We count on the actions of the members of this Committee to promote a better existence for these individuals.

ITEM 3. STATEMENT OF HON. JOSEPH A. D'ELIA, COMMISSIONER, NASSAU COUNTY (N.Y.) DEPARTMENT OF SOCIAL SERVICES

Distinguished Members of the Senate Select Committee For the Aging: I appreciate the opportunity to comment on the Federal Supplemental Security Income Program, known as SSI.

For your background, Nassau County is located next to the largest city in the world on Long Island; it has a population of more than 1.5 million compacted into a mere 295 square miles; it has the third highest income level in the nation; its 36,000 plus public financial assistance recipients represent 2.4 percent of its residents; it contains six major pockets of poverty; and it has one of the lowest housing vacancy rates in the country—four-tenths of one percent.

The County, which was once considered the bedroom for New York City, has had an influx of aerospace and electronic industrial developments along with a myriad of suburban shopping centers in the past two decades. The newest trend is to provide office complexes for commercial and other businesses formerly located in Fun City.

My term of office began on the same day that the Federal Government took over the SSI program for the elderly, blind and disabled pursuant to Public Law 92-603 on January 1st, 1974. I was delighted that the first step had been taken toward Federalizing the welfare system, which, I believe, is long overdue.

After months of tedious work by members of the staff of the Nassau County Department of Social Services, the records of our former recipients of Aid to the Blind, Aid to the Disabled and Old Age Assistance were made ready for the Social Security Administration.

There were a series of weekly changes in the method of filling out forms, of coding the transfers, of this and of that, causing bundles of unnecessary red tape and confusion. But more to the point, it brought about a substantial amount of Federal money being spent on overtime charges during the elongated process.

During December of 1973, about 10,000 former AABD cases were transferred to Social Security for "grandfathering" into the SSI program.

Yet, when the first SSI grants were issued there were about 400 cases of our former AABD clients that either failed to receive their checks or received a smaller amount on their check than before—resulting in immediate and critical management problems.

In addition, there were a myriad of cases requiring some crisis intervention because of a sudden emergency for which no Federal monies could be provided. Let me explain:

When the oil burner in the home of an elderly beneficiary gives out, there is no way to provide funds to replace it. This goes for the stove, or the refrigerator, or any other of the other necessary appliances by which people live.

Finally, there were those cases that had applied for Federal assistance and were waiting—sometimes for months—for a determination of eligibility while their daily needs went unmet.

It seems to me that the people who devised the SSI system did a superlative job of creating the appropriate technical language, the properly confusing jargon and seemingly endless rules and regulations. They were able to build in an overbearing emphasis on the procedural and on straight-jacketed uniformity.

But they forgot about people; they ignored human beings and human lives; they overlooked making the programs fit personal requirements; they didn't remember that people cannot be bent, folded or stapled.

Nassau County, I am proud to say, has unceasingly worked to achieve resolutions to many of the SSI problems, legislatively and administratively, on the Federal and State levels.

At the direction of my County Executive, the Hon. Ralph G. Caso, I met with officials of the Social Security Administration in Baltimore; with executives of the United States Department of Health, Education and Welfare; and with members of the Long Island delegation to Congress as part of a program to correct the inequities of SSI.

It is significant to note that 10 Congressmen from the New York Metropolitan area already have introduced or sponsored corrective legislation in the House of Representatives.

New York State has put into law two important pieces of legislation to help fill in the gaps left in the SSI program. One of these authorizes emergency assistance—under limited circumstances—to SSI beneficiaries. The other provides general assistance—which we call Home Relief—for SSI applicants who are waiting for an eligibility determination from Social Security, a process that has taken up to six months plus so far.

But whatever the State does, it is only a holding action—a stopgap measure to head off or to cut down on suffering until the Federal Government takes its rightful role and responsibility to these people.

What, then, are the changes needed to make SSI a program to serve the complete needs of the blind, disabled and aged?

First, funds must be provided to meet emergency needs of the population served.

The fiscal problems of these recipients do not conform to predetermined calendar dates. Emergencies of the type I mentioned before arise and legitimate needs do result. The present method of meeting SSI emergencies of providing \$100 once during a 12-month period and then only pending the arrival of the first month's grant is grossly inadequate!

Unless the SSI program provides funds for the unpredictable and genuine emergencies, we will have lost the only advance made to date toward a Federal assumption of the national problems of poverty.

Secondly, allotments should adequately meet the day-to-day needs of all SSI beneficiaries.

Rising prices of all commodities in today's inflationary spiral is eroding the purchasing power of SSI recipients, who just cannot keep up. Each grant must reflect a sufficient sum for the basics of living—adequate food, clothing and shelter.

One possible consideration is to permit a Social Security "pass through" whereby dollar increases in regular Social Security benefits are NOT deducted from SSI allowances. This is not a comprehensive solution because the many SSI recipients who do NOT receive basic Social Security would not gain from a "pass through."

In contrast, "pass through" creates economic discrimination by allowing more funds for *some* SSI beneficiaries—those who previously received Social Security payments—but denying the increase to the others.

An alternative would be periodic upgrading of the SSI grants through cost of living adjustments.

This technique will provide a logical progression of additional funds measured by indices already established by local, State or Federal governmental agencies to reflect regional differences in costs.

Thirdly, the Federal definition of disability must be broadened to conform with the one accepted by the Federal Government before passage of H.R. 1. Under the Aid to Disabled program, the Federal Government had approved and funded persons who met the New York State definition of disabled.

The latter recognized disability as a complex concept, progressive and affecting each individual in a different manner. Social factors—such as age, group living, daily activities, employment history, education, literacy, etc.—were used in conjunction with a medical diagnosis to determine disability. This was particularly true in the disability determinations of mental illness, mental retardation, and alcoholism.

As an example, the SSI definition of disability is so narrow as to exclude a mentally retarded individual with an I.Q. of less than 60 because that person is considered able to engage in "substantial, gainful activity."

I cannot vouch for the possibilities of employment for such an individual in other parts of the United States, but he has no chance of finding a "gainful" job in Nassau County, for sure.

Failure to make this re-definition will force increasingly large numbers of persons who truly are disabled back onto the State and local rolls for general public financial assistance, in states where such assistance exists. The financial impact is obvious.

But the moral commitment of the Federal Government is violated when people are rejected for failure to meet the new stringent Federal requirements on disability that were arbitrarily changed with the advent of the SSI system.

Number four, the states which provide monies for general public financial assistance should be reimbursed by the Federal Government for expenditures to clients who are awaiting the protracted processing of their applications.

Under the present system, the retroactive payment is made directly to the SSI beneficiary with the assumption that he will willingly repay the State and local government. We all recognize the huge pitfalls in this.

Finally, there must be marked administrative changes for the Social Security Administration to speed up the processing of applications for SSI and to expedite the method of payments.

Some applications have been pending before Social Security since the program began—more than six months ago. This is inexcusable!

In addition, the SDX tapes to create eligibility for Medical Assistance (Medicaid) have not meshed with the information we have on file. We find them replete with errors and we have been thoroughly frustrated trying to correct them. Unnecessary confusion and a manual system of producing Medicaid ID cards have resulted.

I'm not here to get into the nuts and bolts of how this can be done. But I am suggesting that if it means additional personnel, additional computers, additional whatever, the costs in non-Federal dollars and human agony are to take priority over the apparent economies—if any—that are involved.

Nassau County, for those who are not familiar with it, is just east of New York City on Long Island. The political border between that city and my county does not form a barrier to welfare problems, as you can see.

Translated into dollars and cents, you should know that Nassau County will spend about \$3.52 million as its share of the SSI supplemental costs; \$2.4 million to meet payments for SSI recipients awaiting acceptance by Social Security; and an unestimated amount for emergency needs.

These last two expenditures are totally unnecessary and unwarranted if the SSI program was truly meant to meet people's needs with Federal dollars. Except for its share of the supplement to SSI, there is no legitimate reason why any additional local funds should be spent on SSI recipients!

I have excluded on-going expenditures that pre-date the SSI program. As examples, my County has a Medicaid expenditure of \$60.6 million for SSI recipients alone, and it also will spend about a million dollars in services solely for the aged.

But as I indicated at the outset, the SSI system is—or should be—a totally Federal program. Having assumed the responsibility for an assistance program, the vast resources of the Federal Government must be fully and adequately utilized to meet the needs of the people in the program.

We cannot accept the SSI system because of its overwhelming deficiencies:

We cannot accept it because it does not provide complete basic subsistence;

We cannot accept it because it tells an applicant to wait a month, or two, or six, or more;

We cannot accept it because it does not replace a misdelivered or non-delivered check;

We cannot accept it because it fails to supplement a check delivered in the wrong amount within a reasonable period of time;

We cannot accept any program that is so computerized that it forgets that each number represents a human being in need;

We cannot accept what is happening to people who welcomed the SSI system with hope and instead have found despair; who expected to be helped, but instead are being hurt.

We cannot accept the fact that people who have a right to live out their lives in dignity are instead being humiliated, kept in want and beaten down by bureaucratic rules and regulations.

We cannot accept a transfer of fiscal and administrative responsibility to the Federal Government and, at the same time, deprive people in need.

I implore the United States Senate Select Committee for the Aging to take the leadership in having legislative changes made, as I have listed them. The Committee must forcefully insist that these changes be made NOW.

All the members of this Committee should *demand*, yes, *insist*, that these renovations of the program be made *immediately* to allow these innocent victims of the system to raise up their heads again and live in dignity, even as you and I.

Thank you.

ITEM 4. STATEMENT OF BARBARA KING, CSW, ACSW, SOCIAL SERVICE DEPARTMENT, ROOSEVELT HOSPITAL, NEW YORK CITY

This testimony is prepared in the assumption that one of the goals of public assistance to disabled persons is rehabilitation; and furthermore that a chief goal of rehabilitation is return to the labor market insofar as is possible, and as soon as possible.

1. The way SSI is currently set up and administered vis-a-vis the New York City Department of Welfare is defeating of this goal. When a patient leaves the

hospital after treatment for an illness which was serious enough to require in-hospital care he generally cannot go to work immediately. He is to this extent "disabled". If he also has no financial resources he may qualify as eligible for public assistance. It should be in everyone's best interest to get him the financial assistance for which he is eligible as fast as possible—before he loses his housing for lack of rent or endangers his still precarious health by poor diet, insufficient rest, anxiety, fear, etc.

This does not happen. Since SSI has been in effect, the difficulties of getting eligible, disabled persons financial assistance have been compounded.

Now, the patient leaving the hospital must go first to SSI. Since his need for financial assistance is usually acute, he must go at once, the first day out. He must go in person, even if he has a letter from the hospital counter-signed by the doctor, saying that his disability is temporary, and that he can go to work in 3 months. He must stand in line for hours, often most of the day, in an atmosphere often of noise and confusion. He must do this if he has his leg in a cast, is still convalescing from surgery (if ambulatory) has just completed a course of shock treatment, or other intensive psychiatric in-patient treatment, has just been detoxified from alcohol and barely begun his alcoholism rehabilitation. The purpose of this visit to the SSI office is to get a piece of paper to take to Welfare.

Thus the "disabled" patient, in no matter what physical or mental condition he may be, becomes an "errand boy" between two bureaucratic systems. The next day (since he must be at both offices early in the morning in order to be seen) he must carry his piece of SSI paper to Welfare and go thru the application procedure there.

Our social workers, para-professional and volunteers have been with patients through these ordeals, and find them exhausting. Anyone who has been ill and hospitalized can appreciate the difficulty in persisting with this kind of waiting, frustration and confusion on first being discharged from hospital.

The problem appears to be one of definition of "disability" in relation to employability—the Federal SSI guidelines being somewhat different from those DSS is able to use. That this is a difficult problem and a highly political one hardly needs to be said here. To make the permanently or temporarily disabled patient the "go-between" is not useful. It is irresponsible on the part of both SSI and DSS—and all of us—to continue this. The current system of making every "disabled" patient apply first for SSI, and carry SSI paper to Welfare is a duplication of "public assistance" interviewing time. The current system also compounds the need for every patient to have a knowledgeable advocate or ombudsman to act in his behalf thru this system—a further duplication of time and effort on the part of health and human services personnel—and again therefore a waste of public funds in most instances. There are two other dramatically wasteful possibilities: that the hospital, knowing what the patient must face in order to get himself fed and his rent paid, will keep him a little longer, or that—and this has also happened—the patient's insecure and tentative health may fail rapidly again and his re-hospitalization become necessary.

Question. Can a way be found for the financial assistance application to be taken, and disability determination made while the patient is still in the hospital?

Could SSI and DSS then accept their own responsibility for agreeing on which one of them will be the source of the needed assistance—both emergency, if that need is verified, and on-going—without running the disabled patient around the city and duplicating each others efforts?

An apparently similarly based problem is now being created by SSI's review of ADD cases which were "grandfathered-in" from the Welfare rolls at the start of the SSI program. Many of these persons are now receiving notice that they are not eligible for SSI. Again it is the patient and the taxpayer who are both losers result of the SSI procedures. These persons, whose eligibility for financial assistance is not an issue, are having to re-apply to Welfare.

Question. Could they not simply be transferred back to DSS without lengthy and debilitating reapplications procedures?

Disabled psychiatric patients: Psychiatric patients who are struggling to maintain a tenuous hold on reality, a minimum trust in the good intentions of others, the small amount of confidence in themselves they have been able to muster, are in the worst possible position to be able to sustain long waits in crowded, noisy offices where there is confusion and sometimes short tempers on the part of hard-pressed staff. The inability of SSI to give appropriate emergency assistance, even to persons with clear medical statements from clinic doctors as to their permanent disability, is a great hardship, as it again often means a duplicate applica-

tion to DSS. If there have been clerical errors, lost checks, stolen funds or mismanagement, the difficulties are compounded. That the monies must come from different coffers thru different programs, again, should not be made the problem of the least able and most helpless and defenseless members of the community. The psychiatrically disabled are not only entitled, as other disabled, to appropriate treatment—it is also expedient from the point of view of employment rehabilitation to offer them whatever financial assistance they are eligible for in an atmosphere of encouragement, support, and respect. The current SSI-DSS system does just the opposite: offering needless additional frustration, confusion and anxiety. Again: the problem of verifying facts and questions of employability for psychiatric patients are considerable, and require the most effective professional work possible. The time for coordinated Federal, State, City effort in behalf of these patients is now. To make the patient the carrier of the bureaucratic problems by sending him to make different applications in different places only obfuscates and delays any hope of real solution.

Question. Could not DSS-OCS and IM workers in the SSI centers coordinate and not duplicate their application procedures and be empowered to give immediate funds, through two party rent checks if needed—or a variety of other needed devices?

Disabled Alcoholics

It is by now notorious that the SSI legislation has singled out alcoholics for frankly prejudicial, not to say punitive treatment.

(A) The SSI legislation specifically states that alcoholism is not to be regarded as a primary disability, a position which contradicts all recent medical knowledge and opinion in the field of alcoholism including the position taken by the AMA's House of Delegates, December 1973. I quote in part: "And be it further resolved that the American Medical Association urge all physicians to abstain from using terms of other pathological conditions in place of the diagnosis of Alcoholism when alcoholism is the primary manifested illness—". It is entirely clear that not all alcoholics are disabled, whether or not they are in treatment and in the process of recovery. However some are. Likewise not all psychotic patients, not all diabetics, heart patients, cancer patients, etc., are "disabled". Some are. The criteria for assessing disability in these latter illnesses are clearly spelled out in SSA regulations. The same care and thought on the part of SSA and the State Bureau of Disability Determination should go into the criteria for assessing disability relative to the disease alcoholism. Until this issue is frankly faced and dealt with by the law makers it seems impossible to develop realistic regulations for financial assistance for alcoholics. The diagnosis of alcoholism will continue to be buried under other symptomatic diagnosis such as: cirrhosis, certain heart diseases, peripheral neuropathy and various psychiatric descriptions.

(B) The requirements that alcoholics cannot receive SSI payments directly, but must have a "representative payee" receive checks for them is impractical in the extreme. To say that this whole group of disabled persons with one particular illness (who are eligible for financial assistance) are incapable of managing their own money is to punish an entire group for the (financial) incompetence of a few. One would hardly say that diabetics as a whole are incompetent to manage their money because a few purchase the wrong foods and make themselves ill: or that heart patients should have surrogate managers because some of them drive automobiles when they are ill and shouldn't. Some alcoholism patients are known to have, within the last 3 weeks, received letters from SSA stating that "arrangements must be made to pay your checks to another person in your behalf". Some persons have received such letters who are indeed fully engaged in alcoholism treatment and rehabilitation. Such procedures are in contradictions to treatment efforts which are geared towards restoring hope, self respect, trust, confidence in others and self as well as, often, job functioning.

In addition, those alcoholics who could be regarded as in need of protective monitoring of this sort—the so-called "derelicts"—are least likely to be able to produce competent family or friends to be "representative payees" to care for their money. Thus this requirement, if actually carried out, raises the nightmare of SRO landlords, loan sharks, or other indiginous "bankers" being produced as "representative payees". Such a system would be subject to enormous abuse. The detective work which would be needed in order to monitor it seems incredibly wasteful. The need to which this requirement seemingly was intended to address was met very minimally, but at least more practically, by DSS's old system of two party rent checks. The need would be more appropriately

met by a network of $\frac{3}{4}$ way and half way house arrangements: expanded "shelter" type facilities with appropriate payment and patient allowance arrangements. The "representative payee" requirement could, in the long run be an incredibly expensive "substitute" for an appropriate continuum of care in alcoholism treatment.

(C) The requirement that alcoholics be in treatment continuously in order to receive financial assistance (either SSI or DSS) also singles out a particular category of illness (along with drug addiction) for punitive treatment. To require persons in need of public assistance to be evaluated for employability or participate in established programs is one thing, and seems entirely appropriate, no matter what the illness is which results in "disability". To mandate persons with only a certain illness to be continuously "in treatment" in order to eat and pay rent, no matter what the state or stage of his recovery, is to invite additional complications and confusion. DSS monitoring systems are already trying to concern themselves with what "in treatment" consists of which is essentially a medical matter and must be individual planned for the patient's benefit. Their current attempt at monitoring treatment without obtaining the patient's consent threatens to break confidentiality and override the patient's civil rights.

This treatment requirement also invites trouble in the sense that professionals may well avoid the diagnosis of alcoholism altogether at just this time when there is progress in facing the problem of alcoholism more openly. Another possibility is that treatment programs will have to spend their time being detectives and checkers for DSS and SSI. Treatment people never perform these functions well at best, and to the extent they could be forced to, time would be taken away from the already much too limited therapeutic time available.

The requirement that alcoholics be in treatment should be brought into line with the SSI rehabilitation requirement for other potentially disabling diseases.

SOCIAL SERVICE SHEET

THIS CASE ILLUSTRATES PROBLEMS ARISING AS A RESULT OF LACK OF COORDINATION BETWEEN SSI AND DSS—RESULTING IN EXTREME STRESS ON THE PATIENT

Mrs. C.—a patient at Smithers Rehab. Center

Mrs. C. was determined to be eligible for AD as of 12/31/73. She was an open ADC case to Center.

On the understanding that she would be converted or "grandfathered in" to S.S.I., DSS Center, on 2/7/74 began issuing decreased semi-monthly ADC checks and food stamps. The checks went from \$129.00 semi-monthly to \$115.45. This information was obtained from Mrs. B, Unit 002, DSS Center.

Mrs. P, at the Midtown S.S.A. office (which services Mrs. C's home address) found absolutely no record of case anywhere. She called Mrs. B. to confirm that Mrs. C. was supposed to be known to S.S.I. Mrs. P. said new application for S.S.I. needed to be made.

Since Mrs. C. was hospitalized, S.S.I. agreed to send a field rep. to the Rehab. Center where patient was located, to fill out new application. However, field rep. (Mr. R. 860-6136) had to come from *Uptown* S.S.A. office because Rehab. Center is in their district. He visited on 3/25/74, made out the application, but did not give Mrs. C. the S.S.I. form letter Welfare needs to issue emergency and HR checks while S.S.I. application is pending. He also called Center to find out patient's budget, but was not given crucial information by DSS that patient was to have been "grandfathered in".

Patient subsequently went back in person to DSS center with detailed explanatory letter from me including verification of S.S.I. application. She waited four hours to be seen and was treated very rudely. When she was seen she was issued (1) a DAB individual information form, (2) a Social Security Title XVI referral to bring back to S.S.I. The purpose of going to DSS Center was to be issued emergency funds and to be put on HR immediately while S.S.I. application was pending. Interviewer would not explain reason for referral, would not phone me or R for verification (at Mrs. C's request). Mrs. C went for help to Mrs. M, Section 999, liaison Unit to S.S.I. at DSS Center, who knew her case from prior conversation with us. She was told merely to return to S.S.I.

I contacted Mr. O, Director of DSS Center. He said case was S.S.I.'s responsibility; that Mrs. C. was to have been "grandfathered in", to S.S.I. on

1/1/74, and that on 1/2/74, copies of the medical determination verifying Mrs. C's eligibility for AD as of 12/31/73 and therefore of her eligibility for being converted to S.S.I., were sent to Albany, to S.S.I. and to Mrs. C. However, S.S.I. and Mrs. C. did not receive this notification.

I contacted Mr. A (Supervisor) of Uptown S.S.A. center where application had already been made through Mr. R, field rep. The purpose was to expedite Mrs. C's return to the center to obtain emergency and retroactive funds to which she was entitled. He claimed that they need from DSS Center, in addition to DAB referral form which indicates AD grant amount, a "D.S. 639" form which DSS did not issue to Mrs. C. Since this procedure was at odds with Mr. O understanding of procedure, I asked Mr. A. to take it up with Mr. O directly, which he did. They agreed that a copy of the 12/31/73 medical determination would be acceptable. Mr. O. gave me the name of his secretary to whom Mrs. C could go to pick up form. Mrs. C was able to get the form but was harassed by clerks in the attempt—which took several hours.

The following day she returned to S.S.I. and was seen by someone with Mr. A help. However, the waiting time and subsequent form completion time was approximately seven hours. Mrs. C was still not issued funds at this time but was promised a check retroactive to January to be issued five days later.

Mrs. C informed me subsequently that she did receive the check from Uptown office. Following this she was also called down to the Midtown office for verification of activity of Uptown office. She was not clear as to why they needed to see her in person and wondered if this could not have been done through contact between the two offices.

In summary, Mrs. C. was called upon repeatedly to carry messages between offices totally inappropriately as well as to return to a Center because of an internal problem, in terms of its own inter-departmental communications. The client was made responsible, on pain of literal starvation for herself and her family, for problems that were strictly bureaucratic and could have been resolved by a few well-directed phone calls by agency people to agency people. She was only able to manage this fiasco because she was intensively supported by a therapeutic milieu for which the state paid \$66 a day.

ITEM 5. STATEMENT OF MARILYN LYTLE, FOOD RESEARCH AND ACTION CENTER, NEW YORK, N.Y.

Mr. Chairman, I would like to thank the Special Committee on Aging for providing this opportunity to set forth the problems relating to the new S.S.I. program. Congressional action is urgently needed to redress a number of these problems to assist those elderly who have been hurt by the transfer to S.S.I.

I will address myself to one very specific issue—food stamp eligibility and "cash-out" for S.S.I. beneficiaries. Congressional history on this issue has been very complex. Several compromises and changes have left many totally confused. Twice in the last eight months S.S.I. beneficiaries have been given a last minute reprieve just as their food stamp eligibility was about to be terminated. At the end of June 1974, many S.S.I. recipients throughout the country received notices that they would be cut off food stamps. Little has been done in some areas to correct that by informing S.S.I. beneficiaries of the passage of P.L. 93-335 which continued food stamp eligibility for one year.

Such semi-annual confusion regarding food stamp eligibility only serves to discourage participation among the elderly. Even now there are measures pending which would deny food stamps to thousands by no longer allowing S.S.I. beneficiaries public assistance household status for food stamp purposes.

To say that spiraling food costs have severely affected those with limited budgets is merely to restate the obvious. I think we all know that the low income elderly, blind and disabled on S.S.I. are among those hardest hit by rising food costs. They are also more likely to have more expensive medically prescribed diets. In view of the hardships inflation has already imposed on these vulnerable Americans, it is incomprehensible to me that lawmakers discuss again and again the possible denial of food stamp benefits or a cash-out. Had the food stamp provisions in P.L. 93-86 gone into effect, many S.S.I. recipients would have been denied food stamps even though their incomes were well below food stamp eligibility guidelines. Another measure, H.R. 3153, would effectively remove thousands of elderly poor from the food stamp program by denying them public

assistance household status. It is essential that those receiving S.S.I. have access to the same assistance in purchasing a nutritionally adequate diet as others. The elderly and disabled receiving S.S.I. must be assured continued food stamp eligibility on a public assistance household basis or the receipt of a true cash-out which I will define below.

The inequities of the so-called "cash-out" scheme under S.S.I. have played havoc with beneficiaries' food budgets in five states. Let me give you an example of what this "cash-out" has meant for thousands. In December, 1973, an elderly widow in New York probably received a \$15 food stamp bonus to help purchase an adequate diet. If she was fortunate, she received a \$10 cash-out in lieu of the \$15 food stamp bonus value when she was transferred to S.S.I. in January. That \$10 figure will remain static although, if food stamps had continued to be available to S.S.I. recipients in New York, she would now be receiving a \$22 food stamp bonus. In other words, the elderly poor and disabled in New York are receiving less than half the amount others with the same income receive to purchase nutritious food simply because New York has chosen the "cash-out" option.

Of course there were thousands in New York, California, Massachusetts, Wisconsin, and Nevada who received no part of the \$10 "cash-out" to compensate for the loss of food stamp benefits but this particular loophole was remedied by the passage of P.L. 93-335. Now, at least, all S.S.I. beneficiaries will in fact receive this meager so called cash-out. There is little excuse for giving the elderly and disabled less than half the assistance others receive to help purchase food in the face of soaring prices. The cash-out statute must be amended so that S.S.I. beneficiaries receive at least the bonus value they would have received if food stamps had continued to be available. A cost of living increase every six months must be built in just as in the food stamp program. The present cash-out is based on an average bonus value in January 1972. Food stamp bonus values have more than doubled for public assistance households in New York since then.

The effect of the present cash-out scheme is to punish S.S.I. recipients in cash-out states for the source of their income. If they received the same amount of money from another source they would get more than double the assistance they now get to help purchase an adequate diet.

I am not suggesting that the food stamp cash-out option be done away with. Actually a true cash-out would be more desirable than the continued use of stamps. Many elderly hesitate to participate because the stamps mark them in the store or they are dissuaded by the red tape involved. The cash-out statute should be amended to require that the "cash-out" included in S.S.I. payments be at least commensurate with current food stamp bonuses and that it increase to match the increases in the food stamp program.

Thank you.

ITEM 6. STATEMENT OF HILARY JO SOHMER, SSI ALERT-ACTION COMMITTEE, THE LEGAL AID SOCIETY OF WESTCHESTER COUNTY, YONKERS BRANCH OFFICE, YONKERS, N.Y.

REPORT OF THE YONKERS S.S.I. ALERT COMMITTEE, FEBRUARY 11, 1974

On 1 January, the Supplemental Security Income Program (SSI), replaced state administered programs of public assistance to the needy in the aged, blind or disabled categories. Recipients of public assistance in those categories were supposed to have been automatically "converted" to the new program. In addition, many people who were not on welfare rolls are eligible to receive S.S.I., because of liberal income and resource exclusions.

The S.S.I. Alert Committee is comprised of representatives from local public and private social services agencies. The committee was originally formed under the auspices of the American Red Cross, to develop an outreach program for persons potentially eligible to receive benefits pursuant to the S.S.I.P. Although this was the goal of our committee, we have found it impossible to restrict ourselves to that primary objective in light of the overwhelming impact of the many crises engendered by the implementation of the new program.

The suffering of many of our blind, disabled and aged neighbors since the start of the new year has been tragic. The following illustrations are typical examples of the experiences of many S.S.I. recipients and applicants.

(a) Mr. W.: After receiving S.S.I. checks for himself and on behalf of his wife and his two disabled adult children, Mr. W. was mugged on the way home

from the bank. Due to his severe injuries, he had to be hospitalized. His family managed to pay the rent, and to obtain food for one week. At that point, they exhausted their small savings, and were destitute. They were told that they were not eligible for any emergency assistance from either the Social Security Administration or the Department of Social Services.

(b) Ms. M.: A 55 year old woman who is mentally disturbed, Ms. M. did not comprehend the meaning of the change from Aid to the Disabled to Supplemental Security Income. Ms. M. spent the monies she received from the S.S.I.P. for basic needs and to settle outstanding debts. By mid-January, Ms. M. was completely destitute. She was ineligible for any form of public assistance.

(c) Ms. N.: A 38 year old woman who is crippled as a result of a birth defect, Ms. N., along with many others, did not receive her S.S.I. check. This check is her sole source of income. She tried to contact the Social Security office by telephone to try to learn the cause of the delay and to find out how to get some funds to tide her over until her check arrived. She was unable to get through, presumably because of the large volume of incoming calls during the first days of the month. She was therefore forced to go to the office to report her hardship. On three separate days in early January, despite inclement weather and her handicap, Ms. N. managed to get to the Social Security office. On each occasion, she waited six to eight hours along with other needy and desperate aged, disabled and blind people. When she was finally seen, she was told that Social Security could not help her; she would have to go to the Department of Social Services. She went to the local D.S.S. office on each of those occasions, but was turned away and told the D.S.S. no longer had any responsibility for her, since she had been "converted" to the S.S.I.P. Ms. N. was not given any relief until a court order issued in the case of *Freedman v. Berman*, Civ. No. 315/74, 11 January, 1974, required D.S.S. to provide for the essential basic needs of the many Westchester County residents in Ms. N.'s predicament.

Our agencies are aware of many people who have experienced precisely the same situations as those faced by the W.s, Ms. M., and Ms. N. These cases are merely some examples of the many tragic hardships encountered by so many of those who are "grandfathered" into the S.S.I.P. from the D.S.S. roles. Newly eligible individuals have also suffered during this shakedown period for the new program. All of our agencies have been overburdened by these crises. We are incapable of dealing adequately with them. It is our belief that these problems will not only continue, but will become more acute with each passing week, to the detriment of the entire community. Furthermore, the agencies represented on the S.S.I. Alert Committee cannot in good conscience pursue the basic objective for which we came together as long as these emergency situations continue to persist.

In attempting to meet the needs of those among our clientele who are in, or should be in the S.S.I.P., we have encountered many different kinds of systemic inefficiencies AND DYSFUNCTIONS. We present the following list of the most pressing and recurring problems. Our list is by no means intended to be all-inclusive.

(1) *Non-receipt of grants*

In January, and again in February, large numbers of S.S.I. recipients did not receive their checks at the beginning of the month. In January, some of these people did eventually receive their checks. Others still have seen no check at all. Some of those who received no January checks did receive February checks. However, some who received January checks have not yet gotten their checks for February. Present S.S.I. recipients are virtually all former clients of the Department of Social Services, (D.S.S.). This is so because the Social Security Administration gave priority to "converting" D.S.S. recipients to S.S.I. Therefore, it is our understanding that few if any new applications for S.S.I. have been processed as of this date.

Thus, it was the very neediest of the aged, blind, and disabled who were deprived of a major, if not exclusive source of income through the non-receipt of S.S.I. checks. There are apparently two separate causes for failure of a check to arrive at the recipient's home. One is labeled "true non-receipt" by the Social Security Administration. This means that a check was in fact issued and mailed out by the Treasury Department for the Social Security Administration. In spite of this, the check was not delivered to the intended recipient. In many cases, this was due to addressing errors. Other cases remain unexplained.

During the first two weeks of January, no procedure existed to expedite duplication of checks in the "true non-receipt" category. This led to much suffering.

Many were rendered completely destitute; unable to pay rent and utility bills or to buy any food. The Social Security office was daily filled to overflowing with long lines of desperate people attempting to report missing checks and obtain some form of interim assistance. These people were bounced back and forth between the Social Security office and the D.S.S. office, without ever obtaining real relief. Many others, who are homebound due to age or infirmity, also had no recourse.

Finally, in mid-January, the Social Security Administration authorized its district offices in Westchester County to obtain duplicate checks for those in the "non-receipt" category within twenty four to forty eight hours. However, this authorization was only for the month of January. In February, the procedure for replacement of a check lost in the mail takes an indefinite period.

The second cause for failure of checks to arrive is called "N.I.F.", or "not in file." This means that the Social Security Administration computers show no records for a supposed recipient. In January, the status of such people could be verified by checking the records of the D.S.S. If verified as a former recipient of public assistance, an Emergency Advance of not more than \$100.00 could be issued, pursuant to 20 C.F.R. § 416. Clearly, this advance cannot cover living expenses for an entire month. In addition, once \$100.00 has been advanced to a person, she or he may not receive any future advances. Thus, those who received the total advance in January, may not receive any advance in February if, once again, no check came. For February, the Social Security Administration has authorized immediate replacement of checks for those in the "N.I.F." category. The checks rewritten will be in the amount of the recipient's entitlement, minus any advance previously made. This will still leave many people with insufficient funds to meet their expenses.

Since this is the second month of no regular check for many people, we can anticipate many eviction proceedings and utilities shut-offs, unless prompt and adequate remedial action is undertaken immediately.

(2) *Emergency Assistance for Adults (E.A.A.)*

Ostensively responding to the crises created by the implementation of the S.S.I.P., the New York State Department of Social Services has promulgated a regulation establishing a new category of public assistance for S.S.I. recipients. The regulation purports to "meet the emergency needs when such needs cannot be met by the S.S.I. Program.", 18 N.Y.C.R.R. § 397.1(a). The S.S.I. Alert Committee finds the provisions of this regulation to be inadequate and incapable of fulfilling the above articulated purpose.

(a) It specifically excludes granting assistance to those whose "unmet needs are [due] to lost cash, lost or stolen checks, or mismanagement of funds." 18 N.Y.C.R.R. § 397.9. This preclusion encompasses virtually all of those desperate and tragic cases our agencies have confronted during the short life of the S.S.I.P.

(b) In the case of an eviction for non-payment of rent, no moving expenses may be provided. 18 N.Y.C.R.R. § 397.4(d). This will presumably apply to those who could not pay their rent because their S.S.I. checks never arrived. Furthermore, in general, moving expenses will be allowed only if the move is necessitated by "condemnation, fire, flood or similar catastrophe, health reasons, or a need to be near to health and/or service facilities." 74 ADM-6, 11 January, 1974. This requirement is being narrowly construed. Of seventeen applications for moving expenses during the first two weeks of February, the Yonkers D.S.S. office only approved two.

(c) E.A.A. is available to any recipient only once in every two year period, regardless of need. 18 N.Y.C.R.R. § 397.4(e).

(d) No assistance is available pursuant to § 397 to those who have not established a legal residency of a minimum of one year in New York State. 18 N.Y.C.R.R. § 397.3(a).

(e) The provision establishes resource and income limitations which are far more restrictive than those in the S.S.I. Program. Compare 18 N.Y.C.R.R. § 397.3(c) with 20 C.F.R. § 416, subpart L. Therefore, an S.S.I. recipient who has limited resources as permitted by the S.S.I. guidelines, might, in a crisis situation, be forced to liquidate such resources in order to secure the minimum basic necessities of existence.

(3) *Underbudgeted conversions*

The S.S.I. legislation requires the states to provide mandatory supplementation to those S.S.I. recipients who received public assistance benefits in December,

1973, in amounts greater than the level of assistance provided by the S.S.I.P. P.L.92-603; 20 C.F.R. § 416.2070(a). However, the law also requires that those public assistance recipients who had received a monthly income that was less than the S.S.I. level, should receive the higher level of benefits, 20 C.F.R. § 416.2071.

It is the belief of the S.S.I. Committee that virtually all those in the latter category were converted at the lower level, i.e., the exact amount of their cash grant from the D.S.S. The Yonkers office of the Social Security Administration has no procedure to correct these errors. Furthermore, The Department of Social Services has submitted Change of Status reports on many of its former clients. A good number of these indicate that increased benefits are due S.S.I. recipients. However, we have been informed that the Social Security Administration has instructed the Yonkers office to retain these reports for an indefinite period, rather than process them as they arrive. Finally, none of the disabled children in the caseload of the D.S.S. have thus far been converted into the S.S.I.P. In many instances, this delay is detrimental to the children involved in that they are entitled to increased S.S.I. benefits.

For all of those who are now receiving less than they are entitled to get, the result is an unwarranted continuation of suffering. All of them must attempt to cope with an extremely limited income. Even a miniscule increase in funds could make a profound impact on the quality of the lives they live. We cannot accept administrative, bureaucratic inefficiency as a rationale for the continued deprivation of these people.

(4) New applicants

For the past several months, many of the agencies represented on the S.S.I. Alert Committee have been engaged in a diligent effort to locate potentially eligible persons for the S.S.I.P. We have forwarded to the Social Security Administration over 200 preliminary applications for S.S.I. benefits, as well as leads on still others who might be eligible for grants. Of these, at least 175 were submitted prior to the end of December, 1973. It is our understanding that none of these people have received S.S.I. benefits to date. Nor has there been any indication that benefits will be forthcoming in the immediate future. Most of these applicants are now existing on very marginal incomes, primarily OASDI pensions from the Social Security Administration. In view of the basic purpose of the S.S.I.P., see 20 C.F.R. § 416.110, this protracted waiting period is indefensible.

(5) Needy eligibles who can get no public assistance

Our agencies have all too frequently been faced with the difficult experience of appeals from individuals in need who, for one reason or another, have not been able to receive aid from either the Social Security Administration or the Department of Social Services. Mr. W., whose case is discussed above, is but one illustration of this problem. Each agency represented on the S.S.I. Alert Committee can provide numerous additional cases of this kind. These people are caught in the gaps left by the state and federal legislation implementing the S.S.I.P. These interstices have left both the Social Security Administration and the Department of Social Services without authorization to aid desperately needy people. The private agencies of Yonkers have done as much as they can, within the constraints imposed by extremely tight budgets, to assist these people. An effort has been made to solicit collections of food and funds from our community to alleviate some of the suffering. It has, however, been impossible to provide adequately for all those in this unfortunate circumstance. Many have been turned away hungry. Such a situation is a scandal of major proportions for our society.

(6) Food stamps

Pursuant to P.L. 92-233 (31 December, 1973), a large class of those who were converted from the public assistance rolls of New York State into the S.S.I.P. have been deprived of the bonus value in buying power previously extended to them through authorization to purchase food stamps. Participants in the S.S.I.P. are ineligible for the food stamps program if the state agrees to include the cash bonus of the stamps the recipients could otherwise have purchased in the state supplementation of the basic federal grant. New York State has included \$10.00 in its Optional supplement (which goes to all new applicants and to D.S.S. "convertes" whose public assistance grants were lower than the optional supplementary level). However, all former recipients of public assistance who received D.S.S. grants in amounts greater than the sum of the basic

federal S.S.I. grant, plus state optional supplement, were converted at exactly the level of their D.S.S. cash grants. No account was taken of their previous food stamps authorization. They have therefore lost between \$15.00 and \$20.00 each month in buying power at the supermarket. Although this sum may seem paltry to some, to these recipients, we know that it has meant the difference between going hungry during the last week in January, and having sufficient food supplies to last the entire month. We know of many who are extremely apprehensive as February progresses. They do not know if they will have food during the last week of February.

(6a) *Residency Requirements*

The federal legislation which established the S.S.I.P. authorized the states to impose residency requirements in conjunction with any plan for optional supplementation of the basic federal grant. New York State has elected to provide such supplementation, but has also chosen to condition receipt of this supplement upon a one year period of residence in the state, 1973 Session Laws, Ch. 516 § 1, creating a new § 131-a § 9(a) (3).

This precise issue of the power of states to condition eligibility for public assistance upon a period of prior residency has been litigated many times. The Supreme Court has consistently held that such requirements are unconstitutional. *Shapiro v. Thomson*, 394 US 618; *Gaddis v. Wyman*.

For this reason, as well as on humanitarian grounds, we are distressed at yet another attempt to promulgate a regressive device that should have been finally abandoned long ago. We note that Emergency Assistance for Adults similarly purports to bar aid to those who have not established residency of at least one year's duration (see above). Although our agencies have not yet encountered clients with this problem, it is inevitable that this provision will cause much hardship in time.

(7) *Cost-of-Living Increases*

Many tenants in Yonkers were presented with rent increases of up to 20% in January, 1974. The S.S.I.P. does not take this into consideration. Nor has D.S.S. indicated a willingness to provide for the unavoidably increased expenses of S.S.I. recipients. With the cost of housing continually increasing, and in a community with a vacancy rate of virtually 0%, this is a serious problem. It is compounded by the skyrocketing food prices and upward adjustments in utility rates.

In addition, many special needs of those in the groups now covered by the S.S.I.P. will not be provided for in any manner by either the S.S.I.P., or the D.S.S. These needs include the expense of special diets, moving expenses in most cases, non-medical transportation, etc.

Since the idea of the S.S.I.P. is to provide recipients with an income sufficient to engender financial security, these omissions border on unconscionability.

(8) *Representative Payees*

We recognize that within the categories of persons covered by the S.S.I.P. there are many who, for one reason or another, cannot manage money properly. This incapacity may derive from senility or emotional disturbances, or other disabilities. To meet this problem, the Department of Social Services had a system of restricted voucher payments combined, where appropriate, with supportive counseling and other forms of assistance. 18 NYCRR Part 331.

The SSIP regulations include provision for representative payees to receive grants on behalf of SSI beneficiaries. 20 CFR § 416, Subpart F. The regulations mandate a representative payee for any SSI recipient who is addicted to drugs or alcohol. Social Security Act § 1631(a) (2) ; 20 CFR § 416, 601(a). However, for others who may need a representative payee, the regulations require that an individual be located who can satisfy the stringent qualifications established. We appreciate the rationale of protecting the beneficiary from the dangers inherent to a system which might allow for unscrupulous representative payees. However, it appears to us that not enough thought has been given to meeting the needs of the many SSI recipients who are not addicts and who cannot manage their own financial affairs.

The homebound recipients have not been able to find anyone willing or able to make the attempt to cash their checks for them. Clearly, these people are in desperate straits. Some provision must be made to deal with this situation.

(10) *Transportation to Social Security and other offices*

For all of those who have jammed the Social Security offices since the new year, the expense in time and money of getting to these offices has been enormous. And it has been borne by those least able to afford it. The paucity of public transportation in Westchester County is well known. And many of those who have had to report in person cannot travel by bus, due to the nature of their handicaps and infirmities. They have been forced to take taxicabs, borrowing money in order to do so. The only alternative to struggling to report to the office in person has been to attempt to get through to the Social Security phone number and request a home visit by the one field worker assigned to the Yonkers office. This is simply inadequate. In the first place, it is often impossible to get through by phone for hours—if not days—at a stretch. Secondly, the one field worker cannot handle the large volume of requests for home visits. This means that many must wait for inordinately long periods for service. Finally, we know that there must be many helpless people in our community who have not received checks, cannot leave their homes, but have no telephones. We fear for the safety and health of these people.

In light of these various problems inherent to the S.S.I.P., the Yonkers S.S.I. Alert Committee makes the following recommendations and proposals concerning the future course of the S.S.I.P. We feel that, at a minimum, if these proposals are not acted upon, the only humane alternative is to abolish the entire system, and return to the previous plan of state administered public assistance to these categories of persons. Although that arrangement was fraught with difficulties, it did not cause the large degree and extent of suffering that the S.S.I.P. has created.

We recommend to :

The City of Yonkers

(1) Explore the possibilities for rent abatements for those whose incomes are fixed by the S.S.I.P.

(2) Appeal to landlords not to initiate eviction proceedings against those who are unable to pay rents, due to non-delivery of S.S.I. benefits.

(3) Create a position of ombudsman. The ombudsman should be able to establish liaison with the Social Security Administration and the Department of Social Services, and all the private agencies serving the residents of Yonkers. He or she should be able to act on behalf of those in need, to prevent the kind of tortuous run-around to which many S.S.I. recipients and applicants have been subjected during January and February, 1974.

(4) Allocate funds to be used to transport S.S.I. recipients and applicants to the Social Security office, the Department of Social Services, or other places. These funds should be used for transportation expenses of S.S.I. recipients when those expenses are not reimbursable through the Medicaid program.

(5) Support the C.A.P. effort to secure donations of food and funds to aid those who are not eligible for any form of public assistance.

(6) Go on record as endorsing all of our recommendations, to Yonkers, as well as to Westchester County, New York State, and the federal government.

Westchester County

(1) All of the above recommendations also apply to Westchester County.

(2) The Westchester County Department of Social Services should reverse its decision not to act as representative payee to its former clients who cannot manage their S.S.I. grants. This should be considered as one component of services to S.S.I. recipients, and therefore still the responsibility of the County Department of Social Services.

(3) Since Medicaid Identification cards are now issued by the County Department of Social Services on a monthly basis, the Department should guarantee that all Medicaid participants will receive their new Identification cards PRIOR to the expiration dates on the old card.

(4) The appeal of the decision in the case of *Freedman v. Derman*, Civ. No. 315/74, should be immediately withdrawn in the interests of justice.

New York State

(1) Pursuant to the authority created by 1973 Session Laws, Chapter 516, § 10, the New York State Department of Social Services should promulgate regulations to provide for the needs of S.S.I. recipients which are unmet by the S.S.I.P. Such special, and/or recurring needs include moving expenses, transportation for non-medical purposes, medically required diets, rent and utilities increases, etc.

(2) The Department of Social Services should immediately rescind 18 N.Y.C.R.R. § 397 (Emergency Assistance for Adults) and promulgate a meaningful system of assistance for those S.S.I. recipients with emergency needs. The operation of the section should be retroactive, so as to cover those who were forced to borrow from friends or relatives in order to survive in January and February.

(3) The legislature should abolish any form of residency requirement now in existence in conjunction with the S.S.I.P.

(4) Any increases in the basic federal grant passed by Congress should be passed along to S.S.I. beneficiaries. New York State should under no circumstances reduce State supplementation when the federal S.S.I. grant is increased.

(5) The food stamps "cash out" plan should be re-examined. If the plan is retained, each S.S.I. recipient should be given an amount equal to the ACTUAL cash bonus in buying power for which that recipient would have been eligible had he or she been able to purchase food stamps.

Federal Government

(1) Cost-of-living increases that will be passed along to the beneficiaries should be built into the S.S.I.P.

(2) With regard to food stamps, P.L. 93-233 should be repealed. Either S.S.I. beneficiaries should have eligibility for food stamps determined on straight financial grounds, exactly as if they were not in the S.S.I.P., or, the actual cash bonus that a recipient would have received under the above option should be included in that recipient's S.S.I. grant.

(3) The Social Security Administration should be required to immediately increase its staff at local offices so that it will no longer be necessary for S.S.I. applicants and recipients to endure lengthy waits at these offices. Priority should be given to assigning fieldworkers to all local offices where they are needed.

(4) All applications, S.S.I. Alert forms, "status change reports" from the Department of Social Services, and similar papers should be processed immediately. If additional staff is needed for this purpose, it should be hired.

(5) Pursuant to § 2070 of 20 C.F.R., all public assistance recipients in New York State who were "converted" to the S.S.I.P. at a level of payment that is lower than the S.S.I. flat grant for New York State should immediately have their grants raised to the proper level. This action should be taken no later than 1 March, 1974, and should be retroactive to 1 January, 1974. No action should be required of recipients in this class in order for them to be budgeted at the proper level. Administrative confusion and defective computers are no excuse for depriving these people of funds to which they are statutorily entitled and without which it is impossible for them to sustain a minimally acceptable standard of living.

(6) The "Not in File" category must be eliminated completely within one month. If it becomes necessary to "borrow" computer time from some other agency, this should be done.

(7) With regard to those in the "true non-receipt" category, the Social Security Administration should correct its addressing errors within one month. It should also provide for a standard procedure for courier service to replace checks not delivered to S.S.I. beneficiaries by the third day of any month, within twenty four hours. This process should be applicable regardless of the reason for the non-receipt.

ITEM 7. STATEMENT SUBMITTED BY JOSEPH BUNZEL, PROFESSOR, STATE UNIVERSITY COLLEGE OF BUFFALO, BUFFALO, N.Y.

Thank you Mr. Chairman for the opportunity to state some basic principles for a rethinking of the future directions of Social Security. Some time ago I wrote a brief reply to an article in *Readers Digest* entitled "Anti-Social Insecurity," which was included in your files. With your permission I would like to quote from that article.

In the April issue of the *Readers Digest*, Mr. Robert J. Meyers, at that time chief actuary of the Social Security Administration, wrote an article in which he posed the basic question whether or not the United States wants its social security dollar as a basic "floor of protection" or whether it wants "an infinitely expanding and infinitely costly all-purpose umbrella."

He then proceeded to name a fairly large number of persons and organizations who in his opinion are expansionists in that they wish to "boost retirement benefits without letting the public in on the economic consequences."

Because Mr. Meyers names as the only representatives of the academic community myself, apparently on grounds of my statement for the Record for the U.S. Ways and Means Committee (Part 7, Nov. 13, 1969, pg. 2697-2730, inclusive), I feel it incumbent upon myself to clarify the basic question whether in fact persons or organizations who are working for a revision of Social Security ideology should or could be called expansionists.

Mr. Meyers chooses a motley round of strawmen, among them the National Council of Senior Citizens; former Vice-President Hubert H. Humphrey; former Secretary of Health, Education, and Welfare Willbur H. Cohen; Representative Willbur H. Gilbert of New York and others who may or may not agree with each other. I myself disagree strongly with the Council's so-called study which in fact is a reworking of Mr. Meyers' own figures and arguments, particularly with regard to earned income after 65.

BASIC FLOOR OF PROTECTION

I believe that Mr. Meyers is historically correct and I said so in a statement that Social Security was initially created to put a basic floor of protection under the elderly destitutes of the thirties. My witnesses of the time, who like Mr. Meyers, are still in Federal Service, spoke about a three-legged milking stool, a comparison which will sound strange to the super-urbanized, megalopolis-reared youth of today; the three legs of the stools being private, savings and investments, private retirement plans and insurance, and social security as a supplement or psychologically tolerable substitute to old age pension, or welfare.

I have no disagreements with Mr. Meyers on that account, nor do I disagree with him in the assertion that simple adjustments have brought about some modest increase of benefits, distributed in accordance with contributions. I do disagree with him strongly, however, when he tries to tell us that the fact that individual Americans own about 34 million homes as compared with 12 million is an advantage or constitutes progress. And, I disagree with him strongly when he tries to tell us that life insurance has climbed from 102 billion to 113 billion and personal savings from 3 billion to 40 billion and that this is due to Social Security. My disagreement is mixed with indignation when he indicates that private hospital insurance has increased from 12 million to 170 million from 1940, and this is because of social security.

Social Security had little if anything to do with all this. I also feel that the tripling of home ownership in forty years (and I throw in two million homes for good measure) is well-nigh irrelevant and only indicative of the power of advertising with which real estate interests have been able to convince the American public that their best bed is to be found in the overcrowded, one-family slums of tomorrow.

Airless, waterless, polluted and insecure, without past or future and with the burning desire of the disadvantaged to bow their neck under the joug of past cavemen's dreams, social security cannot be blamed or praised for any of these consequences of unplanned urbanization. Mr. Meyers then concentrates on hospital insurance and on private pension plans about which more later.

In a previous statement for the House Ways and Means Committee, I have submitted some personal credentials; I have taken care to point out that I am far from being a starry-eyed radical; but rather that I grew up in a conservative civil service background and years of executive experience in the insurance business.

It is easy for me to understand, therefore, Mr. Meyers' shock that I and others feel that the piecemeal approach to social security is not good enough any more. Mr. Meyers and many of the legislators are in the uncomfortable position of a boy who at his 24th birthday finds that the suit daddy bought him when he was 14, in spite of all the patches mother put on, just won't wear any more.

I do agree with his quote that the conflict is not a simple battle of numbers but a battle of philosophies. Unfortunately, my so-called fellow expansionists do not see it this way. Again and again I have warned that deep-seated attitudes interconnected with urbanization, under-housing and many other vital problems of our time, cannot be dealt with in terms of 5% or 10% or 15% increases, not even if a sliding benefit scale should be adopted.

My analysis of the Gilbert bill and my proposal indicates that these are approximately 17 years apart. In other words, I feel that we have to start where Mr. Gilbert wishes to be in 17 years. This is not a matter of expansion. This is indeed a matter for attitudinal change.

TAX REBATES FOR LOW AND MIDDLE INCOME GROUPS

Mr. Meyers is appalled that the taxable wage base should be rocketed from \$7,800 to \$100,000 a year. I stopped at \$100,000 only because the number of persons with wages over \$100,000 is relatively small. Today, 1974, I feel there should be no restrictions whatsoever, however, not only wages but all income should be taxed and the lower and middle income groups should receive considerable tax rebates.

The fiction that social security is a contract and not a tax has long been given up. The National Council, on the other hand, is appalled that I wish to exempt all incomes up to \$25,000 a year from losing social security because it is a contract in which the government has engaged with the citizen; it tries to show: a) that it would benefit only a million and a half people if they could earn as much as they wanted or could after age 65 or before age 72, and b) that the \$5,000,000 or so that it would cost be used better to advantage to supplement the miserable pittance of orphans and widows. I cannot admit any value to this argument. If we can afford to wage a far-flung war, go to the moon, bail out railroads and crooked brokers, incompetent bankers, and support three tiers of the most expensive political system the world has ever seen, then surely we can also afford another million and a half for widows and orphans without having to compromise on a completely different plan a modicum of income maintenance if not in pre-retirement then at least in post retirement.

Mr. Meyers parenthetically remarks that a 10% hike in benefits would adequately offset increased living costs written in April 1970 can only be considered an unwilling and unwitting sneer since the base from which the 10% ought to be taken is approximately 65% below par.

The same issues of the *Digest* brings a quip showing a man who earned \$5,000 a year had \$4,941 left to spend after taxes; that same man today has to earn \$14,282 because taxes have chipped away \$2,083 and inflation has drawn off \$7,258.

It may well be true that the Gilbert bill "is the expansionist torch of progress." For me it would only be a shy and timely beginning because the National Council of Senior Citizens and the American Association of Retired Persons have not come to grip with the essential necessities of social security. These essentials are at least thinking of our national attitudes towards age and health, work and play: a corresponding rather to the economics which are necessitated than to their relationships.

In the last 20 years I have attempted in a series of small empirical studies to show in what direction such rethinking should go if we are to maintain a free economy. In 1965, I have pointed to a national malaise which I have called gerontophobia, briefly defined as an unreasonable and irrational hatred and fear of the elderly, expressed in a multitude of ways, by approximately 20% of the sample population.

I have distinguished between medical, legal, and social gerontophobia, and within these areas I have dwelled on such fields as architectural, educational, blue-collar and white-collar gerontophobia.

With great glee I have noted that Professor Alex Comfort, the outstanding British gerontologist, has also coined this word quite independently in 1967, reserving it entirely for the medical profession. The reasons for medical gerontophobia are not far to see. Physicians and especially young physicians are quite unhappy if they cannot show quick dramatic results of their work. The elderly, even the well elderly, do not promise a good return on the intellectual, spiritual and even monetary investment of the physician. A number of older men for a variety of reasons, frequently go into this field, out of guilt feelings, for scientific awards or research grants, but obviously the pediatrician has better chance for fame, success and riches.

TENDER LOVING CARE OF PEOPLE

The geriatric nurse is usually the one who is least informed, the most patient, the one that does least expect results of treatment; instead of assigning the best and most energetic nurse to the geriatric wards, and especially the geriatric wards in mental hospitals, the most routinized are being assigned. Treating each patient as a terminal case before physical and mental deterioration has already started, how much more when a docile hospital population is entrusted to the tender loving care of people on their own way out, by and large neither interested or empathetic with the older patient. Only the event of medical care

with its incommensurate rewards has brought about some change for a short while.

The situation of the nursing homes is one of the greatest scandals this country has ever witnessed. Congressman Pryor has been and is trying to remedy the situation, but one could fill page upon muckraking page with the shame and scandal, and accounts of this festering boil in the body politic. Rarely a day goes by without some elderly persons being killed by fire or smoke from an ill-ventilated or otherwise unsafe building used as a home for the elderly.

Medical gerontophobia has been supported by legal gerontophobia not only and not even mainly in Congress, but in the state houses and townhalls not so much because of ill-will, but because of the great output of legislative activity in this country. Being trained in the common-law tradition, the legislator looks backward for precedent but must as a social planner, look forward to changes and developments.

I have shown elsewhere that all law is caste law and all justice class justice, and that law and justice have little or nothing at all to do with each other. How much more this is true in the case of social security laws that are unreachable by justice for lack of administrative court procedures, when only the majesty of the court law protects and upholds the social security of the individual and the nation. The ruling caste in the United States is, of course, the business-oriented, white upper-middle class conditioned by its waspish character: basically generous to be sure, but highly paternalistic, still extremely intent on adjustment and conformity with its ideals and values.

Highest among these values are confidence in rationality, belief in education as means of perfectability, and the buttressing of human dignity by a way of life that used to include aging.

With touching regularity, the Judeo-Christian veneration of age is being invoked everytime some obviously gruesome shortcoming has been discovered. By the same token, no real and thorough reform can be expected or attempted unless and until the root cause has been found, described and removed.

These lines are being written at the fifth anniversary of the Older Americans Act and indeed much legislative progress has been made. It is important to indicate, however, that such progress has been made *without* insight and in approximately the same fashion as labor protection laws have been passed to turn possible revolutionary tendencies into evolutionary channels by maintaining the basic structure.

This can only be done with the consensus of the governed and this will become more difficult from decade to decade, even from year to year.

PRIORITIES OUTLINED BY AOA

The priorities of the old and aging, as mentioned in the 12th June-July issue of *Aging*, the official organ of the Administration of Aging, are: strengthening of state agencies/development of more comprehensive state and local programs/use of talent, skills, experience of older Americans in voluntary services and employment activities/inclusion of services for the elderly in the model city programs/improved nutrition and transportation/development of truly multipurpose senior centers as vehicles for delivery of services and opportunities/an all-out attack on isolation/and finally, development of a national policy on aging. I think it is ironic that first chaos must be created by the so-called federalism before order is even to be thought of.

The recent admirable statement of the President of the New Jersey Council of Senior Citizens in the Hearings before the Senate Committee on Aging goes even further; he wishes to abolish all tax exempt statutes of foundations, of municipal bonds; he overlooks the churches, however. He wishes to eliminate the oil depletion allowance and he develops an interesting scheme based on public exploitation of shale lands. This is just one instance of many in which the so-called expansionists are very much aware indeed of the cost of the programs they advocate and the cost of the dollars, to pay for the ever increasing cost of aging in the United States.

The history of medicare and even more, medicaid, presents good examples. Keeping to the principle of self-insurance, the elderly are expected to carry as much as possible on his own. Four dollars may be little for one and again a great deal for another. The introduction of the term medically indigent does not account for the erosion of the middle class and the uneasy truce between white and blue-collar workers.

Formerly, the greatest advantage of the white collar worker consisted in employment security and status. Also, the white collar worker, by and large, had a higher yearly income than the blue collar worker. Today this is far from true. Blue collar workers are nearing the annual wage. Television and commercial recreation have equalized social status, in fact, the wife of the plumber has a better chance to get a job than the wife of the bookkeeper. Benefits from health and accident insurance policies and brotherhoods of unions are by and large superior to those of teachers and accountants. Only social security remains approximately the same, mainly because it reflects older standards and former values. The Office of Research and Statistics of the Social Security Administration reports for June 18, 1970, that the average medical bill for each person under 65 \$210, and that nearly one half of it came directly out of the individual's pocket. If we added the cost of insurance itself, which is at least under \$100 per year, we find that the average medical bill is paid in full or nearly in full by the person under 65. For the older person, the average medical bill is \$692, with an out-of-pocket outlay of \$163. However, again we would have to add at least the \$50 insurance cost and probably a good deal more. We do not wish to go into the unnecessary details, but the viewpoint of social security to maintain what is euphemistically called fiscal neutrality should be mentioned here. (Robert O. Brunner, Department of Health, Education and Welfare, Research and Statistics Note #8, June 19, 1970.)

The question is, of course, whether trust fund transaction in a unified budget should underscore the fiscal impact of the fiscal program, because obviously social security with its billions of dollars exerts a powerful influence as a total for government budgets.

DEVELOPMENT OF RESPONSIBLE WELFARE POLICY

There is a question that benefits in the last years have been considerable, but so has been the increase in the surplus which is projected to be 14,222 million for the year 1971/1972. The proper management of these considerable amounts is a cause for real anxiety, not for eager expansionists who wish to get their hands on those surpluses but rather for the development of a responsible welfare policy by a government that is authentically responsive to the wishes of the governed.

Social Security belongs in the hands of intelligent businessmen in enlightened social planning out of reach of greedy politicians just as much as niggardly insurance experts.

In order to give a very brief summary of my original proposition, I shall set down in capsule form the main points of a basic policy. It should be taken into account, however, that I had to leave out argumentation and documentation as well as many specific propositions and statistical proof.

Basic Proposals, deviating in some instances greatly from propositions taken by either the Administration on Aging, any of the official or unofficial bodies and/or personalities within and out of Congress partly suggested previously by me.

Raise benefits to a minimum of \$250 a month regardless of contribution if social security is the only major income.

All benefits on sliding scale geared to 1970 standard of living.

Raise contribution to 10% of all incomes from wage earners; 5% from all employers.

Raise contribution base to \$100,000 of earned income, including bonuses, allowing for graduations to profit middle income.

Raise earning limits to \$25,000 for persons between ages 65 and 72.

Some specifics—

Equalize payments of widows and dependents.

Each person, regardless of marital status is entitled upon reaching a given age or in the case of disability upon establishment of eligibility to the full amount (eliminate the necessity for two persons to live with each other without being able to marry in order not to lose their full benefits.)

Attach full, mandatory health insurance to social security system (for that reason the money is needed to abolish medicaid and medicare and replace with womb-to-tomb coverage for all sickness, disability of any description whatsoever (dental, eyeglasses, mental health, etc.)).

If necessary create federal health corps using public health service as anchor and nucleus, take entirely out of the hand of state except purely administrative.

Realize that misuse of a system does not invalidate the system but only speaks against misusers.

Combat gerontophobia by re-education, sensitization and insight therapy.

Since this was written, I have come to the considered opinion that Social Security should not be amended from time to time benefitwise, but has to be rethought completely. While it is true that certain actuarial principles must, of course, be applied, Social Security must be revamped in such a way as to guarantee each person approximately 65% of his earnings before retirement as pension.

This is the goal and it is quite obvious that the present method can lead only in a minority of cases to its achievement. Increase in benefits which are immediately absorbed by inflation elicit only a bitter sneer. Not only is the standard of living index of the Bureau of Labor Statistics a fraud and a disillusion, even the BLS arrived figure of \$5,000 is unrealistic and unobtainable.

BASIC STANDARD OF AMERICAN LIFE

The mistake in the logic is to attempt to patch up a system which has become threadbare throughout the years. Social Security has become, and in fact must become, the basic standard of American life. It must be seen as what it is—a tax which must be staggered progressively with income. Earning limits and limitations of the base must fall. On a given day in the near future all Social Security benefits must be adjusted upward but at the same time the Social Security tax of the person earning \$100,000 must be more than ten times that of the person earning \$10,000.

This can be achieved in one of two ways, either as a vanishing tax credit for the lower and middle income groups (up to \$20,000), or a progressive percentage after \$20,000.

If this does not happen the sociological consequences are only all too clear. There will result complete and total destruction of the already demoralized middle income group, the gross income of which lies between \$10,000 and \$25,000, which at this writing is torn between inflation and recession.

According to the recent testimony of Mr. Ball whose expertise cannot be doubted, the Social Security Administration does not foresee basic changes in its composition. I am deeply touched by the earnestness and goodwill of the committee and each individual member; at the same time I am also convinced that the present system of "improvements" and amendments can only lead to a total disintegration of and disillusion with the Social Security system and with it will effect lethally the body politic.

For many years now, I too have believed that amendments far more radical than the ones which have been approved so far or even suggested might help.

However, a few sore spots and immediate remedial steps that could be taken should be mentioned specifically.

In order to forestall discrimination, the word "age" should be added to title VI of the Civil Rights Act of 1964, title VII of the Civil Rights Act of 1964 as amended by the Equal Employment Opportunity Act of 1972; Executive Order 11246 as amended by 11375; Equal Pay Act of 1963 as amended by the Education Amendment of 1972 (Higher Education Act); title IX of the Education Amendment of 1972 (Higher Education Act); and title VII and title VIII of the Public Health Service Act as amended by the Comprehensive Manpower Act and the Nurse Training Amendment Act of 1971.

The earnings limitation must fall entirely. The computation and enforcement of the piddling amount (estimated even by its enemies at not more than four million dollars per annum) cost at least half of the sums thus saved. Moreover, the human anguish and frustration connected with it would not be worth the difference in any event. This limitation is a leftover of 19th century thinking which is precisely why it must go.

Another leftover is the contributory base which taxes the lower and middle income group out of competition by allowing the upper income group to contribute an infinitesimal amount of its income for a pension which presumably will never be needed (the famous example of the retired millionaire actor comes to mind who in January earns \$25,000 for one performance and thereupon receives throughout the year the highest available Social Security benefits).

The argument that the lower and middle income groups receive a great deal more in benefits as would correspond to their being insured by a private insurance company does not wash. Again it is part and parcel of actuarial 19th century thinking instead of community oriented 21st century philosophy.

GROUP-ORIENTED PHILOSOPHY

We can discern quite clearly this philosophy which is by needs We-oriented instead of I-oriented or to put it another way, group-oriented instead of individual-oriented.

Theoretical excursus. One of the major difficulties for legislatures to legislate in this country, especially in the States and the major and minor civil subdivisions, is the fact that the plurality of legislators is brought up in the common law which by its very nature is backward looking for precedent and experience. Technological changes, however, have brought about social upheaval of such proportion that planners or as they like to be called futurologists, are needed to be almost endorsed with prophetic vision, whereas it takes at least the precision of a chess playing engineer to envision the social changes which the law must faithfully portray.

It is a basic maxim of jurisprudence to say that law is fixated power, but it is nevertheless a truism that the politician of today and tomorrow must foresee to the best of human ability social power relationships in order to fashion the law accordingly. To leave the individual rules and regulations to local authority leads only to self-seeking anarchy. On the other hand, to try to avoid all possibilities for human greed, to avoid to take advantage of the loopholes is a vain and hopeless undertaking. Only a basically decent society can have a basically decent social fabric which is what your committee specifically aspires to for the elderly.

For decades since the announced enactment of the American Social Security System, it was taken for granted that the benefit level would be a floor of protection; that the elderly would have other sources of income to fall back on. A new economic chart is needed to show that the view is hopelessly outdated because of the inflationary spiral of both wages and prices and the uneven development of the wage structure; the vehement rise of services, the subsidizing structure of agriculture, mining and oil production to name a few. To repeat, our goal must be that every retiree between now and the year 2000 should retire on approximately 65% of his last or highest wage or earning.

This would mean in some instances the benefits would outweigh the contributions by as much as 100-200%; in other instances the benefits would be negligible or non-existent. Subscribing to this notion would, of course, mean to drop even the semblance of actuarial correctness, except inasmuch as these figures can be used to gauge the approximate number of remaining years of the individual elderly person.

At the same time it would mean that the payroll tax as a primary method of financing the social security system need not be maintained any longer or rather that it can show itself undisguisedly as what it has always been—a tax. That it is a regressive tax lies in the nature of the system but can be explained by the fact the Social Security embodies not only one specific insurance case, as for instance, life insurance, but rather a tremendous amount of social services among which health services are preeminent. The simplest though bureaucratically the most difficult way would be to place social security under IRS though not a very desirable solution, but one that is *de facto*.

UNSATISFACTORY PERFORMANCE OF MEDICARE

One of the woundest points of the Social Security system, Medicare, Medicaid as well as all other health maintenance organizations based on private insurance are not salvageable in their present form. The necessary apparatus just simply does not suffice and is too expensive in tremendous outlay of human suffering and money.

There are so many suggestions to remedy the obviously unsatisfactory performance of Medicare and the almost pernicious role of Medicaid as there are patches in our parable. As with so many other new garments these too are actually in worse shape than the old cloak of charitably woven income protection.

I can resist the temptation to add my voice to those who resolutely oppose any kind of health maintenance organization (HMO) that is even faintly depending upon private insurance that means of course the administration bills in all their ramifications. I rather think, however, that a legal way could be found to relieve the companies of their responsibilities to maintain adequate

and secure reserves by adding their billions to the social security fund if it will still exist at the same rates of interest that they could obtain from such ventures as low cost housing, or other permissible enterprises or investments.

Nor do I think physicians should or could or indeed would want to run the Health Maintenance Organizations. Hospital and health administrators who have been educated in the last 20 years or so and have developed into fairly strong guilds with all their advantages and disadvantages, cannot accomplish the task alone. To search for patient representation, as many do, is difficult simply because the patient population does not stay constant. There may be value in a system of ombudsmen but the most important patch of all is the blanket insurance covering anybody for anything under any circumstances and that is usually vetoed with the horrified cry of socialized medicine. It is not in fact either one or the other but again 19th century thinking that prevails and Jethocracy (from Gr. Iathros=physician) and has so far victoriously stood in the way of progress not only in the field of social insurance but also in such areas as drugs, public health, preventative medicine and many others.

Permit me to recommend as worthy of your intensive study though not verbatim adoption of course, the Bodenheimer Plan which is now available in the booklet *Billions for Band-aids*—an analysis of the United States health care system and of its proposals for its reform, (San Francisco Bay Area Chapter, Medical Committee for Human Rights, August, 1972).

Even if not all of its proposals can be implemented at this time, especially not because of the very obvious shortage of doctors and their unwillingness to settle in sparsely populated areas, I am optimist enough to feel that with the present generation of medical, nursing and other students in the allied health fields the plan might have a chance.

The often tested goodwill and decency of the Committee could salvage the most important features—equalization and availability of care to all. Instead of the recent and catastrophic implementation and rule changes of medicare and the tightening of medicaid standards, the imposed niggardliness in its application, the enmeshing of the patient and his family in time and money consuming procedures—with the obvious hope that he will give up and either die or “go away” instead of these we need a broad and generous application and interpretation corresponding to the will of the law giving Congress, not to the whim of the law twisting administration.

HEALTH SYSTEM CONDEMNED TO SLOW STRANGULATION

I am therefore most perturbed by the announcements of the bills prepared by the present administration which would use the obvious weaknesses of Medicare and Medicaid administration to supplant them with a health care system that would bring billions to the insurance companies who would become for all practical purposes federal and state collectors and which would leave the patient in a more hopeless struggle with forms and red tape than before. In line with the well known lack of realism which the administration has shown in the field of welfare, the health system would condemn the population of the United States to a slow strangulation by a cruel and unfeeling bureaucracy.

The sick person is unable to fight alone, or even with some help the ever increasing intentional sloppiness, deliberate delay, the outright refusal of his rights, before he can even get a semblance of help. The medical profession, for instance, is more and more unwilling to put up with the scandalous and probably willful delays of the medicare and social security administration and does not, by and large, accept assignment of its bills. In the new setup under discussion, these individual cases would become the rule with disastrous results.

There are two points in particular that demand your immediate attention. The one concerns the so-called automatic increases of social security; the other, the making of special provisions for persons afflicted with Multiple Sclerosis (MS).

At present, the social security recipient and especially the disabled person is advancing the government between 15% and 25% of his meager and steadily devaluing income without much hope of ever keeping up with inflation.

I realize that it would be difficult to adjust each individual social security benefit every month but it should be at least possible to adjust it twice a year automatically so as to keep the benefits more realistic in proportion to the ever mounting expense of living. After the social security beneficiary has received the much begrudged 11%, he will be at the beginning of the inflation spiral, approximately, August, 1973, thus a full year of dramatic increases behind schedule.

The second suggestion is the singling out of a special group for consideration, along the line of a kidney patient whose dialysis is being included in medicare. I suggest special legislation to protect the victims of Multiple Sclerosis (MS) and his family.

I have indicated previously that I do not share the confidence of many who presumably are convinced that medicaid will pick up the tab. I have included two illustrative stories¹ but you need no hearings to ascertain their general validity. Moreover, those who rationalize that the states will take on the responsibility, but should be aware by now that not more than three or four might do so.

Multiple Sclerosis (MS) is a disease of the nervous system, by no means restricted to the young adult. Its duration is estimated at anywhere from 10 to 20 years, so that onset in middle age guarantees long but increasingly miserable life.

Practically without exception, nursing homes are not equipped to handle Multiple Sclerosis patients; private nursing is prohibitively expensive and only very large families could hope to cope successfully with this disease which generally undermines the morale of both the victim and his environment.

Nobody assumes that all Multiple Sclerosis can be legislated out of hardships but you can legislate Multiple Sclerosis (MS) care into the medicare or any other health program in such a way as to make it possible for family, or in their absence, home or foster home to care for the patient within his framework of his station in life preserving what dignity this truly fiendish condition leaves the patient and his family. Of particular importance would be the role of the companion nurse-homemaker depending on circumstances which is well-high prohibitive to the average small household.

HOME CARE IS DESIRABLE, BENEFICIAL

On the other hand, medical and psychiatric opinion is unanimous that maintenance in the own home is desirable, and beneficial.

These half million seem to me as deserving as the kidney patient. Of course, there are many other situations worthy of special consideration.

There is not the slightest doubt in my mind that medicaid must be extended instead of restricted. Recent social security figures show that the patient pays nearly as much or more dollar amounts in addition to medicare than they did before medicare was enacted.

Some of this can undoubtedly be ascribed to the greed of physicians and paramedical personnel; some of it to general increase of costs; most of it to a cumbersome and most ineffective machinery but basically the fault lies with the deep seated bias of the American people and their representatives against the concept of total care. As long as a variety of essential services is exempt and the principles of ever-increasing co-insurance permeates the system and as long as the patient population is a silent suffering majority, we cannot hope for definite improvements.

Actually, this is a strange phenomenon because the United States more than any other culture that I am familiar with for reasons that I have previously set forth, is in fact a nation of absolutes; thus, it should welcome a once-and-for-all legislation on the principles on which this republic was founded: life, liberty and the pursuit of happiness. It can hardly be argued that total and mandatory insurance will not insure and not serve these goals. In fact I am ready to argue that without such legislation built into the social security framework life would not be worth living, liberty would be a mere shadow and happiness an impossible dream.

ITEM 8. LETTER FROM IRENE C. HEAP, SILVER SPRING, MD.; TO SENATOR FRANK CHURCH, DATED JULY 16, 1974

DEAR SENATOR CHURCH: Please make this letter a part of your hearing on SSI. I copy below the letter I wrote to director which tells all.

JULY 15, 1974.

Re Disability and SSI, 333-10-5878, Irene C. Heap.

MR. SUMNER G. WHITTIER,

Director, Bureau of SSI, Social Security Administration, Baltimore, Md.

DEAR MR. WHITTIER: I request the name of the incompetent employee who didn't sign his name to SSI denial I received today dated June 14, 1974.

¹ Retained in committee files.

The U.S. House Ways and Means Committee and U.S. Senator J. Glenn Beall have photocopies of medical reports proving my disablement. Read the following reports to your incompetent employee:

Dr. Morris Perry reports, June 10, 1966, December 16, 1966, August 1, 1969.

Neurosurgeon Dr. John Lord report of May 7, 1968, to Attorney Kiley re origin of my brain tumor.

Your employee wrote: "The evidence in your case shows that you do not meet the disability requirements of the law."

My brain has been seen by human eyes and may be seen again, so what is the feeble minded excuse of your employee for robbing and murdering disabled me? I request his name, please.

Thanking you, I am

Sincerely,

Mrs. IRENE C. HEAP.

P.S. Also note the Rx attached to Dr. Perry's report of December 1966—the Rx dated September 1968 for incurable disease I got the following year after brain surgery. 1966 diabetes.

God hasn't restored my vision destroyed by first brain surgery either.

Is my brain tumor recurring?

Until I get disability I have to be my own doctor for my diabetes and I've had to be hospitalized for insulin reaction this year.

Please reply promptly. Thanks.

I suggest herewith a method to help the U.S. disabled and also weed out incompetents, employees of S.S. Administration, as follows:

Simple new bill: Each disabled person, eligible for Social Security at age 62, if they live, who had surgery for any of the following: brain, heart, lung, cancer whose claim has been denied by Social Security Administration should draw immediately disability payments, and the person in Social Security Administration who denied the claim shall have his monthly salary reduced to pay for claim denied.

Some of our money helps pay the salaries of these S.S. Administration incompetents while the U.S. disabled get nothing. I urge prompt reforms.

Also fine all Social Security doctors which is taxpayers waste of money. I had brain surgery April 6, 1965 and S.S.A. sent me to their M.D. May 9, 1974 and he didn't use any diagnostic machines but examined my chest and my back looking for my brain, I presume.

Please reply. Thanking you, I am

Respectfully yours,

Mrs. IRENE C. HEAP.



FUTURE DIRECTIONS IN SOCIAL SECURITY

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NINETY-THIRD CONGRESS

SECOND SESSION

PART 8—WASHINGTON, D.C.

JULY 16, 1974

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Future Directions in Social Security :

- Part 1. Washington, D.C., January 15, 1973.
Part 2. Washington, D.C., January 22, 1973.
Part 3. Washington, D.C., January 23, 1973.
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Part 5. Washington, D.C., July 26, 1973.
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(Additional hearings anticipated but not scheduled at time of this printing)

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FUTURE DIRECTIONS IN SOCIAL SECURITY

TUESDAY, JULY 16, 1974

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room 1318, Dirksen Senate Office Building, Hon. Frank Church, chairman, presiding.

Present: Senators Church, Chiles, Percy, and Hansen.

Also present: David A. Affeldt, chief counsel; Val J. Halamandaris, associate counsel; Deborah Kilmer, professional staff member; John Guy Miller, minority staff director; Robert M. M. Seto, minority counsel; Margaret Fayé, minority staff member; Gerald Strickler, printing assistant; Dorothy McCamman and Herman Brotman, consultants; and Yvonne McCoy and Joan Merrigan, clerks.

Senator CHURCH. The committee will be in order.

We begin our hearing this morning with a panel consisting of Robert E. O'Donnell, who is the executive director of the New York State-Wide Senior Action Council. Robert Popper, Alice Brophy, and Susan Kinoy. Who has charge here?

Mrs. BROPHY. I do.

Senator CHURCH. All right. Why don't we begin with your presentation, and we'll go on through the formal presentations as quickly as we can; summarize where you can, so that we'll have more time for questions.

Mrs. BROPHY. We will present three pieces of testimony—they will provide a composite picture of what is happening in New York City and New York State.

Senator CHURCH. Fine.

STATEMENT OF ALICE BROPHY, DIRECTOR, NEW YORK CITY OFFICE ON AGING

Mrs. BROPHY. I am Alice Brophy, director of the New York City Office for the Aging, an executive-level advocacy office for our city's 1 million elderly, of whom it is estimated that at least 175,000 are eligible for SSI. I am also chairman of the Urban Elderly Coalition, a nationwide coalition of urban offices for the aging, which represent over 6 million elderly Americans. I am extremely pleased to have been invited to testify on the new Supplemental Security Income program.

The New York City Office for the Aging heartily endorses the enactment of the SSI program, which represents a major congressional initiative on behalf of the elderly comparable to the enactment of the original Social Security Act in 1935. It is certainly time that income maintenance for the elderly be converted from a hopeless fragmentation of systems to one centralized, organized system.

It is certainly time that the stigma of welfare be removed from the concept of aid to the elderly, and that we talk instead—and make policy—in terms of a guaranteed annual income.

Despite the significant progress SSI represents, the program has two basic shortcomings: Inadequate benefit levels and lack of protection against the ravages of inflation.

The White House Conference on Aging in 1971 called for the adoption of the Bureau of Labor Statistics moderate retirement budget as the minimum standard of income adequacy for the elderly. As shown in the attached table, when the August 1972 national BLS retirement budget estimates are updated to reflect subsequent increases in the Consumer Price Index, we find that a retired couple requires \$5,730 to maintain a moderate standard of living.

COMPARISON OF SSI BENEFITS WITH THE COST OF VARIOUS LIVING STANDARDS, URBAN UNITED STATES AND NEW YORK STATE—JULY 1974

	Maximum SSI	Poverty level for persons 65+	Lower BLS budget	Moderate BLS budget
Urban United States:				
Single.....	\$1,752	\$2,330	\$3,137	\$4,527
Couple.....	2,628	2,940	3,971	5,730
New York State:				
Single.....	2,482	2,612	3,517	5,330
Couple.....	3,539	3,296	4,452	6,747

Maximum SSI payments reported for urban United States consist of the Federal payment only. Those for New York State include an additional State payment.

The Census Bureau's nonfarm poverty level and the Bureau of Labor Statistics urban retired couple's budget were adjusted by CPI increases to bring them up-to-date.

To determine the New York State poverty level the national level was adjusted upward by 12.1 percent, which is the degree by which a lower BLS budget in New York exceeds the United States urban average.

Similar to the practice of the Census Bureau in fixing the poverty level for individuals at 79 percent of the level for couples, the Bureau of Labor Statistics budget for an individual has here been estimated as 79 percent of a couple's budget.

Mrs. BROPHY. The present maximum Federal SSI payment of \$2,628 to a couple is substantially below this budget. In fact, it falls below the BLS lower budget level, adjusted for the CPI, of \$3,970. Even more dramatic, Federal SSI payments fall below the Bureau of the Census poverty level—similarly adjusted. Since one-half of the SSI recipient population resides in States that do not supplement this Federal payment level, SSI represents continued abject poverty to millions of aged.

In those States which do provide supplements, the State share does not close the poverty gap. In New York State, which has the fourth highest supplement in the Nation, the combined Federal and State SSI benefits provide an elderly couple with a maximum of \$3,539, which is slightly above the regionally adjusted poverty level but considerably below the regionally adjusted lower and moderate BLS budgets.

In New York City, out of their monthly SSI income of \$295, an elderly couple typically pays a minimum of \$140 for rent, utilities, and telephone service. Transportation costs an additional \$5 per month.

These items would be substantially higher were it not for New York City's rent increase exemption for those living in rent-controlled units and reduced fare programs. Out-of-pocket medical expenses, such as over-the-counter drugs and the additional fee for a doctor whose charge is above the Medicaid reimbursement level, can run another \$10. Clothing, laundry, personal care, and related expenses cost another \$20. This couple is left with \$120—or \$2 per day per person—for food. This assumes that no unexpected expenses are incurred, such as a repair bill for the television or another appliance; when they are, there is hardly much room in our budget calculations for “spending down” to meet them.

“SURVIVAL NEEDS”

These “cold” statistics are exemplified by dramatic incidents in the news media concerning the plight of older people. In New York City, there has been a sharp increase in shoplifting by the elderly to meet survival needs: literally a small can of tuna fish or a single bar of margarine. And with the current system of flat grants, rent rises have in many cases had a devastating effect, putting elderly people in the street with nowhere to turn.

SSI benefit levels must be revised to meet the real base income needs of the elderly poor.

The second basic deficiency of the SSI program is its failure to protect these limited payment levels against rises in the cost of living. Just as provided in the recently amended Social Security procedures, SSI benefits should be automatically adjusted to reflect changes in the Consumer Price Index in order to prevent further erosion of the purchasing power of the poor elderly. Such an automatic mechanism would also correct the ironic inequity whereby those on SSI who also receive Social Security find that Social Security increases merely trigger a decrease in their SSI checks when the SSI benefit levels do not undergo a corresponding cost-of-living increase, and their income remains the same.

Legislation automatically adjusting SSI benefit levels will be incomplete if the increases do not reach all beneficiaries. The recent SSI increase did not benefit the elderly in New York and a number of other States. Instead, New York decreased its supplement by the dollar amount of the Federal increase in order not to go above its hold-harmless level based on 1972 DAB expenditures.

We urge that legislation be enacted to correct this, which would mandate that all States “pass-through” SSI increases. We advocate that the additional costs New York and other States would thus incur be shared by the Federal and State governments. We understand that legislation is presently before Congress which would effect these changes.

In view of the fact that benefit adjustments are based on the Consumer Price Index compiled by the Bureau of Labor Statistics, it must be evaluated as a measure of the true impact of inflation on the elderly.

As you know, the CPI measures the change in prices for a “market basket” of 400 goods and services chosen to reflect the purchasing patterns of urban wage earners and clerical workers, and their families. It is based on data gathered in a Consumer Expenditure Survey conducted every 10 years or so. The last CES, upon which the present CPI

is based, took place in 1960-61. A new CES is currently underway, from which a CPI, based on a revised list of items, will be issued in late 1976 or early 1977.

Items in the index are priced on a periodic basis, usually monthly, in about 18,000 outlets which generally reflect those used by urban wage earners and clerical workers. Even for the specific population which it most accurately represents, the CPI is of limited value as a cost-of-living index, since it only records changes in prices for the fixed group of items it covers. Nor does it take into account changes in expenditure patterns between surveys. It is likely in the interim that the quantity and type of goods purchased have changed, both in response to the introduction of new goods on the market and to relative price changes.

CPI—POOR INFLATION MEASURE FOR ELDERLY

The CPI is a particularly poor index of the impact of the current inflationary spiral on the elderly population. The 1960-61 CES indicates that the elderly spend a greater proportion of their budget than does the general population on food at home, shelter, household expenses, and medical care, and a lesser proportion on education, apparel, transportation, recreation, and luxuries. Even within major components of the index there are substantial differences between older and younger populations. For example, as documented in a recent report by the Community Service Society of New York, the items contained in the medical care component of the index do not reflect the usage pattern of the elderly.

Such services as obstetrical and pediatric care and tonsillectomies are rarely, if ever, required by older people; on the other hand, prescription drugs are a major medical expense for many elderly with chronic conditions, and hospital stays are more frequent and of longer duration.

Second, the recent accelerated rate of inflation has largely been in food costs, housing, and medical care, which are precisely the areas in which the elderly spend a greater proportion of their income than does the average consumer. Furthermore, it is the lower-cost items—those which the elderly buy preponderately—which have risen by the greatest increments. This has been graphically documented by the report of the Panel on Nutrition and Special Groups to the Senate Select Committee on Nutrition and Human Needs. It notes that in March 1974, an economy food plan developed by the U.S. Department of Agriculture rose by 21 percent from the previous year, whereas the liberal food budget rose by only 16.9 percent. While porterhouse steaks increased by 38.2 percent over a period of about 3 years, hamburger increased by 60.3 percent. Whereas butter increased by only 8.9 percent, margarine increased by 63 percent. A change in the price of luxury cuts of meat is of little import to the majority of the elderly, who stopped buying them years ago; it is a rise in the price of staples such as rice and bread that has a deleterious impact.

Third, the stores from which sample prices for the CPI are obtained are those used by more mobile middle-aged wage earners. They are not necessarily frequented by the elderly, who are less likely to travel to distant shopping centers and discount stores. In New York City, our study of the elderly in the poverty areas indicates that most shopping is done in close proximity to the home.

The recent proposal by the Bureau of Labor Statistics to include the elderly and a host of other special populations, rich and poor, in the new CPI would continue to mask the true income needs of the elderly. A separate CPI based on the elderly's buying patterns and the outlets they frequent should be developed as the basis for increases in SSI and Social Security.

BENEFIT INCREASE: TIMELAG OF CONCERN

We are also concerned with the timelag in the present system of providing Social Security benefit adjustments. The earliest possible automatic benefit increase will be in July 1975, and will be based on the percentage increase between the average CPI of the second quarter of 1974 and that of the first quarter of 1975. In subsequent years, increases will still become effective in July, but based on CPI changes from the first quarter of the previous year to the first quarter of the present year. The effect of this formula is that benefit increases range from 4 to 16 months behind the rate of inflation, which is extremely serious in times of rapid price increases.

The optimum remedy would be to use a "preconcurrent index" as recommended before the Senate Select Committee on Nutrition and Human Needs. Benefit levels would be adjusted according to projected cost-of-living rises, so that recipients would be protected when the economic squeeze occurred instead of months too late.

In any case, revisions could certainly be made more frequently than the current annual basis. Under the 1965 amendments to the Civil Service Retirement Act, benefits for about 2 million retired Federal civil servants, including retired Members of Congress, are presently readjusted as frequently as every 6 months. In addition, we should add, that act was further amended in 1969 to provide an additional 1 percent above each benefit increase computed from the CPI, which has the cumulative effect of improving their standard of living, consistent with that of the general population. For, in spite of inflation, most Americans are in fact increasingly better off, thus widening the gap between them and that segment of the population whose purchasing power is maintained at a fixed level.

Given the scope and efficiency with which the Federal Government administers this flexible plan, it certainly seems feasible to extend similar procedures to the Supplemental Security Income program and Social Security.

In summary, we are making the following recommendations:

First and most immediate, SSI benefit levels should be raised to a reasonable floor that will enable the elderly to live in independence and decency.

Second, benefits must be protected against inflation by automatic, periodic cost-of-living adjustments.

Third, such increases must be guaranteed to all recipients in all States, without unfairly burdening certain States.

Fourth, the cost-of-living adjustment should be based on a special CPI designed to reflect the spending patterns of the elderly population.

Fifth, adjustments should be made more frequently, ideally in advance of inflationary rises.

We urge Congress to enact the sweeping changes required to make this major initiative on behalf of the Nation's elderly fulfill its splen-

did promise. Thank you again for the opportunity to present our view to you today.

Senator CHURCH. Thank you very much. I think that your recommendation of a separate cost-of-living index be established for the elderly that reflects their costs is a very good one. I think that we have a tendency to operate on the basis of a standard index that is supposed to cover all elements of the population, and it's true that elderly people have a different kind of budget than working people or young people would have—no question about it. It's an excellent suggestion.

The other thing that you have said that appeals to me is adjusting law in order that the cost-of-living increases can come more quickly to eliminate the lag time. One of the problems is that we're told that this great computer that operates Social Security which is supposed to be the best in the world has increased the length of time necessary to make changes in the checks. I just don't understand that. That is one of our problems.

Perhaps we can reach that problem by making some kind of projection, as you suggest, so that we can eliminate that lengthy drag. The whole idea, after all, was to eliminate the drag because before we had this cost-of-living adjustment written into the law—I was the principal sponsor of the amendment that wrote that provision into the law—you'll remember that sometimes we have to wait a couple of years for the Congress to increase the benefit, and we have thought that this would expedite the matter and make it function, as a matter of law, automatically, and still we don't seem to have quite accomplished that.

I think both of your suggestions are good ones that the committee will certainly give very serious consideration to.

Mrs. BROPHY. Thank you.

Senator CHURCH. Who is next?

Mrs. BROPHY. Mr. Popper. He will present testimony on some of the types of problems that are still confronting us.

Senator CHURCH. Fine.

STATEMENT OF ROBERT L. POPPER, CHAIRMAN, CITIZENS' COMMITTEE ON AGING, COMMUNITY COUNCIL OF GREATER NEW YORK

Mr. POPPER. Senator, my name is Robert L. Popper, and I'm chairman of the Citizens' Committee on Aging and member of the board of directors of the Community Council of Greater New York. I have with me Mrs. Kinoy who's on our staff, and between us we know everything that I'm going to talk about, except that I know 1 percent and she knows 99 percent, so, if you will, turn to her for any greater clarity.

Senator CHURCH. Well, I've observed throughout the years that that's about the normal ratio between the sexes.

Mr. POPPER. I have a great deal of respect for staff, too.

The Citizens' Committee on Aging has been fortunate to run an SSI-Alert in New York City, which was funded by Mrs. Brophy's office under an Older Americans Act and New York State Office for the Aging. In New York City, we signed up and processed 120,000 new applications, and we have thousands more backed up behind that.

Now, having done this, and having had some help from other volun-

tary agencies, we know whereof we're speaking, and we feel terribly concerned. To use a trivial example—I don't know how many of you persuaded a friend to go to a restaurant and then had a terrible meal there—as I said, that's trivial. But we have pushed people into SSI because we thought it was great and we still think it's great. It's a terribly important program because not only is it great for the people now, but it may be the model for future income maintenance programs for other types of citizens. But hard as SSA and our local Department of Social Services have tried, we still have some serious problems that I'm going to discuss.

SSA UNDERSTAFFED

One of them is entry into the SSI system. We had talked with the SSA people before this new program started, and we gave them some idea of the numbers of personnel we thought were going to be needed to meet the great influx of new applicants. I don't want to say anything bad because, you know, I'm a taxpayer and I pay for all of this and I'm very proud of most of it. SSA does awfully well. I take my role as a taxpayer very seriously.

Senator CHURCH. So do I.

Mr. POPPER. The fact is that after 6 months, SSA has processed only 120,000 SSI applications, and we know that there are thousands of "leads forms"—letters of intent—still waiting, and we think that really SSA ought to go out and hire more help. It's as simple as that. And if that were done, a great many of the emergencies that are being mentioned, that I'll be mentioning later, would be eliminated.

You see, the SSA has been accustomed, in large part, to dealing with people who have a little margin of income, people who have either small savings accounts, or had a company pension, or whatnot.

Many of the people that you're dealing with now—as a matter of fact, most of them applying for SSI—have no financial margin at all. Anything that goes wrong is a catastrophe. It isn't a setback where somebody says, "OK, I'll fix that up in a little while." It's a catastrophe, and it's serious. Somebody has got to be responsible. You just can't say to people: "OK, buddy, it's tough. Your check didn't come, you got mugged, your place burned up. Wait until next time."

Inside the plastic SSI shopping bags—kits which we brought—I have a news clipping from the July 6, 1974 *Daily News* that I would like to place in the record.

[The above-mentioned article follows:]

[From the New York Daily News, July 6, 1974]

EVICTED, BEATEN WHITE, 60, FINDS A BLACK FRIEND

(By William Butler)

Evicted from his furnished room because his Social Security check did not arrive and then severely beaten by muggers as he wandered about homeless, Thomas Coggins, 60, was being housed and fed yesterday by a neighbor who lives on a \$70-a-week disability pension.

Coggins, still dazed and in pain, said he had passed out after being beaten by two youths on Route 110 in Huntington Station at 8 p.m., Thursday, and did not regain consciousness until yesterday.

The Social Security office in Melville said later that Coggins' allotment of \$206.85 had been authorized Monday and "should be there today or tomorrow."

TAKEN INTO FURNISHED ROOM

Coggins, who is white, was temporarily taken in by Mrs. Thelma Edwards, a 51-year-old widow, who is black, who lives in a furnished room at 42 W. 11th St., Huntington Station.

The case drew the wrath of Suffolk Legislator Martin Feldman (D-Dix Hills), who represents the district, and whose legislative aide, Alfred Walker, lives on the block.

Feldman protested that the Huntington Home Relief office had refused emergency aid to Coggins because he is on the federal Supplementary Subsistence Income program as a disabled worker. Feldman favors having the county takeover the Home Relief welfare programs now run by the towns in Suffolk.

SHARE HER LAST PIECE OF BREAD

Mrs. Edwards protested, "I don't treat my dog like they are treating this poor man." She added, "I will let him stay here. If I have one piece of bread, I will break it and share it with him until something will be done." She said she has a bed and a studio couch in her furnished room, just enough to give shelter to Coggins.

Coggins had been evicted Monday from a \$100-a-month furnished room at 36 West 11th St., Huntington Station, because he could not pay the rent.

Coggins said he had slept in a bowling alley and behind stores until he was attacked by two black youths Thursday on Route 110 near Depot Ave. "They kept banging me in the head with sticks," he said.

LOST CONSCIOUSNESS IN PARKING LOT

He said he lost consciousness in a parking lot about one-quarter mile away and Mrs. Edwards said she found him on her block about 5:30 a.m. yesterday. He was treated at Huntington Hospital for lacerations of the head, face and arms.

Coggins, who had worked for 20 years in a Huntington drycleaning shop and was declared disabled three years ago, had lived in an all-white rooming house. Mrs. Edwards lives in an all-black rooming house. She said, "We don't know whose hand we are gonna have to lean on before we leave this world."

Mr. POPPER. This illustrates the problem of home relief, which sometimes is not given out to persons who are awaiting entry into SSI. In other words, it is imperative that the entry process be speeded up.

We also want to make sure that more people are signed up for SSI because there are more eligible people who have not yet learned about this program. We noticed in New York that when our Alert stopped, the large numbers of people entering into the system also stopped, and we think this is wrong. There must be a great number of people not yet reached who need and can use SSI.

Emergency funds is our second problem. Our neediest aged, disabled, and blind are being caught in disputes between the Federal, the State, and the city bureaucracies. It is really no fault of our poorest and frailest citizens. This just can't go on. We contend that emergency funds in an income maintenance program is basically a Federal responsibility, but maybe, if you sit down with the cities and the States, you could work out some agreements. At least, somebody ought to be saying to people who happen to be part of the aged, disabled, and blind population, that it's not their fault.

For instance, there's a problem I understand that's terribly technical, but it has to do with a few older people who don't repay loans. This happened in New York City at our Department of Special Services all the time, and New York City often wrote off those loans. They're not frauds. I am speaking on behalf of those older people who are normally confused.

Our people have only one sin, and that's that they've grown old, plus being disabled and blind, and they have no money. That's their sin, and something has got to get done about it. And we do hope that the Congress and you with SSA will remember that these are an unusual type of people, our neediest population, the people SSA is not used to dealing with.

RENT SUBSIDY NEEDED

And our third problem is rent. The national flat grant system is valid only insofar as it provides the minimum needs of its beneficiaries, and the greatest variant in this minimum need is rent.

It's like a yo-yo right now. There is a piece in this morning's *New York Times* that because of oil and other costs, rents are going up. The cost of running apartment houses is going up about 20 percent. Eventually these costs have got to be passed on. Now, a great many SSI people have been "grandfathered" in and are protected providing they don't move. But we have instances of people who are hospitalized, and when they come out in 3 or more months, when they try to find a new apartment, the rent in the new apartment is "way out in left field." And they are forced to pay higher rents and consequently forced to live on \$30 or \$40 or \$50 a month for food.

We think that possibly, until housing scarcities are alleviated, which definitely will not be in my time—maybe in your time, but I doubt it—until that happens, there should be some legislation which is apart from SSI, which would insure that persons over 65 would be subsidized who pay more than 25 percent of their income for rent. Now, there's a precedent for that in the Brooke amendment which takes care of tenants in federally subsidized low-income housing. I think this has really got to come.

The fourth item with which we're asked to deal is services. SSI is a splendid program for those who don't get into all the horrors I have mentioned previously. It is a good income maintenance program, but people are still in need of services.

The main service needed, of course, is Medicaid. Now, in New York State we're lucky. New York State passed legislation so that the person who is eligible for SSI is automatically eligible for Medicaid. We think that Medicaid eligibility for SSI beneficiaries should be a national piece of legislation. A Medicaid card should be included with every award letter. Every community provides other kinds of social services. The availability of such services should be indicated to every older, disabled, or blind person. They should be given pamphlets describing the services when they apply for SSI. And most important, those services should actually be available at Social Security offices so that these frail people don't have to undertake more than a one-stop application.

Now, I just really glanced over our testimony. The testimony is there. It's well written and it's detailed. I thought it was more important if I did one thing, and that's to create a state of mind. We're not now dealing with young people who can correct mistakes and who have powers of rejuvenation and that can do all sorts of things I can't do anymore. We are dealing with a very vulnerable group, and we hope that by talking to you this way we can get into your heart as well as your mind, the needs of these people, and I thank you very much for letting me say it.

Senator CHURCH. Yes, it's a very good summarization of your written statement, and your written statement will appear in the record as though read.

I agree that we must do something about standardizing the kind of medical care that will be given to SSI recipients. They are, after all, the ones who are on the most limited income, and certainly, as far as the disabled and the blind are concerned, they are those that are most handicapped. The States seem to be following different courses with respect to whether or not Medicaid is available to these recipients.

In some States, it's available only to some of these recipients and not others, and we really ought to try and establish a uniform rule so that SSI recipients throughout the country are treated alike.

Now, as far as Medicare or Medicaid is concerned——

Mr. POPPER. I agree.

Senator CHURCH. And your suggestion may be the best, that since these people are the lowest on the ladder and are the most handicapped, that we ought to make certain that they have the Medicaid as distinguished from Medicare.

It needs, I think, the immediate attention of the Congress. Otherwise, we're going to have a regular Chinese puzzle, from State to State.

Mr. POPPER. Yes.

Senator CHURCH. And lots of people falling in the gaps and then getting no medical care whatever which seems to be the case today.

Senator CHILES, do you have any questions?

Senator CHILES. No questions.

Senator CHURCH. Mr. Popper, your prepared statement will be inserted in the record at this point.

[Mr. Popper's prepared statement follows:]

PREPARED STATEMENT OF ROBERT L. POPPER

I am Robert L. Popper, chairman of the Citizens' Committee on Aging and member of the board of directors of the Community Council of Greater New York.

The Community Council is the information and research action center in the welfare and health fields in New York City. Recently, through its Citizens' Committee on Aging, it has had the privilege of sponsoring the SSI-Alert in the city, funded under contract with the New York City Office for the Aging as part of the Older Americans Act program, administered by the New York State Office for the Aging.

We are proud that as of June 12 (in large measure due to the Alert) the Social Security Administration has reported that 120,000 new applications for SSI had been completed in New York City. In addition, the Social Security Administration notes that it has a backlog of thousands of applications which it had not as yet been able to process.

Because of our contact with thousands of aging, blind, and disabled persons and because we urged that they register for this new and most important program, we are most concerned that the SSI program succeeds in offering beneficiaries their maximum entitlements and that the intent of Congress to serve our neediest aging, blind and disabled citizens to be carried out. It is also necessary that SSI work effectively because it may set the pattern for future Federal and State income maintenance and service programs for other categories of our population.

In preparation for the SSI-Alert and as backup to that effort, the Community Council called together representatives of citywide agencies and organizations to

observe various aspects of the SSI program, as well as Medicaid and other services to which SSI beneficiaries are automatically eligible. The council through this mechanism, has observed and reported on the general functioning of the SSI program.

SSI is basically a good and badly needed income maintenance program. The regional SSA office and the Department of Social Services have made a major effort to make the program function as smoothly as possible.

However, there are still a large number of problems which remain unresolved and are creating severe hardships for thousands of our elderly as well as our disabled and blind. They must be eliminated as quickly as possible if we are to make SSI the vital program that Congress intended it to be. The basic problems are:

- (1) Inadequacy of the basic SSI benefit amount.
 - (2) Lack of Social Security increase disregards.
 - (3) Lack of SSI increase "pass-throughs."
 - (4) Delayed entry into the SSI system.
 - (5) Nonreceipt of checks by persons already accepted into the SSI program.
 - (6) Lack of emergency funds.
 - (7) Loss of food stamp purchasing power.
 - (8) Increasingly higher rent with no recourse for many SSI beneficiaries.
 - (9) Nonreceipt of Medicaid cards—inability to obtain medical services.
 - (10) Lack of services such as homemakers and housekeepers.
 - (11) SSI payments for congregate care B, voluntary nonhealth care facilities, are inadequate to meet actual costs of such facilities.
 - (12) Lack of specific disability criteria for children.
 - (13) Alcoholism and drug addiction usually not considered as primary disabilities even if severe enough to render the applicant incapable of substantial gainful employment.
 - (14) Third party payees required for almost all alcoholic and addicted persons.
- In this statement we shall offer legislative and administrative recommendations concerning the first 10 of the above listed problems. Other groups will talk more specifically about numbers 11 through 14. In our oral testimony emphasis shall be placed on four aspects of SSI as requested by the committee. These are problems relating to: (1) entry into the SSI system; (2) emergency funds; (3) sharply rising rents within a flat grant system; and (4) delivery of services to SSI beneficiaries.

RECOMMENDATIONS

(1) We recommend that the overall level of SSI be recalculated in order for it to provide an adequate standard of living for every eligible beneficiary.

This is basic to a decent income maintenance program for our neediest aging persons who during their productive years have helped to build and support this country.

(2) We recommend that Congress immediately legislate a disregard for cost-of-living increases in Social Security benefits.

If an aging person receiving Social Security is lucky enough to have an income higher than the SSI eligibility level, then that person will receive the series of cost-of-living increases in Social Security recently authorized by Congress. However, a person receiving SSI benefits has his SSI benefits reduced by the amount that Social Security is increased. If the cost-of-living goes up for SSI beneficiaries as it does for all other aging persons, the SSI beneficiary is left with the same amount of money he received prior to the increase.

(3) It is recommended that increases in the SSI benefits must also be received by the SSI beneficiary. (Note: this is separate and apart from increases in the level of Social Security payments.)

It is necessary that Congress authorize additional funds for each State, or an additional "hold harmless" procedure for each State in order that the increases in SSI are passed along to the beneficiary.

(4) Regarding food stamps—we congratulate Congress for its passage of H.R. 15124. It is urged that President Nixon immediately sign this into law.

It is not clear however as to whether or not H.R. 15124 provides all SSI beneficiaries in the "cashout" States with this food stamp increase, or if only provides increase to those persons who previously had been registered in the food stamp program.

We urge that Congress make clear that H.R. 15124 applies to all SSI beneficiaries whether or not they had applied for food stamps previously.

In addition, we are in agreement with Mrs. Bernice Bernstein, Director of Region II, HEW who in her testimony at a hearing on SSI in New York State

on June 27, 1974 said, "In recognition of the inequities existing under the current provision, the Administration has decided that the best solution to the food stamp issue would be to base SSI recipients' eligibility for food stamps on the income and resources criteria of the food stamp program." In other words, food stamps should be totally divorced from SSI.

It is therefore suggested that legislation be immediately passed which states that as of June 30, 1975, every person who meets food stamp eligibility criteria, no matter what the source of his income—including SSI—be eligible for food stamps.

(5) *Entry into the SSI System*—it is suggested that the following actions be taken in order to accelerate entry of very needy applicants into the SSI system.

(A) *Our first recommendation is that the Social Security Administration both at the local level and in Baltimore, hire and train extra staff at an even faster rate than it is now doing in order to expedite the entry of eligible applicants into the SSI system, to process the thousands of applications not yet examined, and to see that the initial and accurate payment of SSI funds promptly follow a person's acceptance into the program.*

The critical need for SSI benefits is obvious because of the outpouring of applications. Persons who have taken advantage of this new financial right—especially during this period of inflation—should not be delayed in obtaining benefits. After a program has been in effect for 6 months and an outreach program has been undertaken, it is not acceptable that by June 12, only 120,000 applications in New York City had been processed and that the great piles of "leads forms" have not been followed up and processed. Nor is it understandable why it still takes a minimum of 2 months before a person in New York City receives his or her first check following acceptance into the SSI system. Many of the emergency fund procedures (which we will discuss later) in order to meet the needs of persons with no backlog of savings or financial security upon which to fallback, might be eliminated if the entry process was expedited.

(B) *It is further recommended that Congress mandate loans (if needed), to States which are supplementing SSI in order for the State and localities to pay their share of lump sum payments retroactive to the date of an intent-to-file form to be paid to the beneficiary along with his retroactive Federal moncys.* At the present time, the city of New York reports that no provision has been made for these retroactive expenditures.

(C) *Furthermore, Congress is requested to legislate funds for total repayment to any State for emergency funds or home relief expended after the beneficiary has been deemed eligible for SSI but before the regular SSI checks arrive.*

Commissioner of New York City's Department of Social Services, James Dumpson stated on June 27:

"... the lags in eligibility determination for check assurance in SSI's administration have compounded the expenses of states and localities. In New York State, those SSI applicants who suffer from an inordinately long waiting period turn to home relief for emergency support. The State and locality underwrite the total cost for that interim period. Once the recipient is deemed eligible for SSI, he or she receives a check retroactive to the application date. Although the recipient is, in effect, paid twice, there is no way at the present time for the state and locality to reclaim their outlay."

(D) *We implore the Social Security Administration itself, along with other Federal and local agencies to continue to expand its staff in order that an active outreach program continue which will inform potential beneficiaries about this new program. We urge that special emphasis be given to visiting homebound or hospitalized persons and taking their applications.* It is most significant that in New York City following the termination of the SSI-Alert, the number of new applications throughout the city dropped precipitously. It would be serious if present SSI applications were processed at the cost of new persons coming into the program.

I quote from testimony provided in New York City by the Social Service Staff of St. Luke's Hospital, June 27, 1974:

"Currently, home visits are scheduled rarely and inconsistently from office to office. There is a time lapse of several weeks between contacting the SSA and the actual visit, if one is actually effected.

"It has been practically impossible to initiate an application while a patient is still in the hospital, although discharge plans may hinge on the availability of funds.

"There is a contradiction implicit in a program directed to serve the needs of the infirm aged and the disabled but doesn't create procedures to facilitate the application of such individuals.

"Under the current system, hospital staff are frequently in the position of discharging chronically ill, aged and disabled patients for whom no financial arrangements can be made prior to discharge. This is enormously risky and frequently results in readmissions at further cost to the taxpayer."

(E) *We further recommend that in addition to the "award letter" which is sent to each new SSI beneficiary, an identification card be mailed to each person. This will assist the beneficiary in check-cashing and will expedite his or her identification for "entry" into other services such as Medicaid or reduced carefare, etc.*

(6) *Emergency funds—since SSI is a Federal income maintenance program the Federal Government must be responsible for immediate payment of emergency funds in certain circumstances:*

(1) *Interim assistance for SSI beneficiaries who have not received a check or who have received an incorrectly reduced amount.*

(2) *Interim assistance for SSI applicants whose incomes are above the public assistance level, until their first SSI check is received.*

(3) *Funds to prevent threatened evictions, often due to nonreceipt of SSI checks.*

No longer may the neediest aging, disabled and blind person be caught between the legislative and administrative disputes between the Federal Government and the State. It is our contention that it is a Federal responsibility to provide emergency funds where the check has not been mailed due to computer failure, due to delay in the mail, due to theft from a mailbox, or due to change of address.

These moneys are to be loans to persons who are expected to repay them upon receipt of the duplicate check. It is suggested that the Federal Government ask the locality to advance funds and then repay the localities, or advance funds and the State will be accountable for repayment.

It is appreciated that the Social Security Administration has taken initial steps to attempt to pay emergency funds to beneficiaries whose checks have not arrived or whose check has been written in an incorrect amount, but the procedures are too slow for persons with no reserve whatsoever. It is shocking that a needy person who finally has received his "SSI award letter" should have to be shunted back and forth between slow SSA payment procedures and reluctantly provided State emergency aid.

A few examples follow:

"... Since the turn of the year when SSI was instituted, we have had at least six patients who have required intensive psychiatric and social work treatment, attributable directly to the changes in income maintenance now mandated. In two situations patients required acute care hospitalization plus a longer in-hospital stay, from 2 to 3 weeks for both because they were unable to cope with the psychological stresses involved in SSI and DSS application procedures. In one case, the patient's SSI check was sent to an old address and when not claimed was returned to the Baltimore SSI office. Though the patient made several trips to SSI office to correct the error, he was advised to deal with the DSS office for emergency funds which they refused to supply, nor was he able to receive his SSI checks at his new address. He was advised, after two additional weeks in the hospital, that it would take thirty days for the address to be corrected and thirty additional days for him to receive his first check..."

"... Miss F. C. and Miss T. C., two sisters, have both had numerous psychiatric hospitalizations. Their SSI checks did not come because they were sent to their old address. After several trips to SSA, one check arrived four weeks late and the next month the same process had to be gone through and the check again was three weeks late. In March, no check arrived and one sister was hospitalized because she felt it was being done to her on purpose..."

"... Miss D. had a history of psychiatric hospitalization at the time of the switch over to SSI. In January no check came. She was told by SSA it had gone to Brooklyn. She was given an emergency check of \$100, and sent to the Brooklyn welfare center and Brooklyn SSI to correct the records. In February, no check arrived and she went through the same process, but to no avail. She began to deteriorate and was hospitalized at the end of February, where she remains..."

Testimony of Social Service staff, St. Luke's Hospital on June 27, 1974.

Legislation should be passed whereby general revenue funds be authorized to pay for those few loans which are not repayed (usually because of ignorance—

not because of fraudulent motives). It is almost impossible, for example, to ask an elderly lady after three months to repay \$207 from which she has eked out an existence. After all, the more efficient the SSI system, the less need for emergency procedures.

We agree with a number of court decisions that residual nonrecurring emergencies could be a State responsibility. These nonrecurring grants might include:

(1) *Loss of cash*, upon reasonable proof (present legislation refers only to stolen cash).

(2) *Clothing, furniture, food, fuel and shelter (and/or repairs thereto)* for reasons other than ". . . fire, flood or other similar catastrophe." Other reasons for replacement should include loss or theft of checks, mismanagement, or loss due to robbery.

(3) *Emergencies* that may have been caused by less than prudent management of personal affairs.

(4) *Legitimate emergencies* that cannot be approximately foreseen and categorized.

(7) *Rental Housing*—it is strongly recommended that until such time as there is adequate housing, at suitable rents, for all poor aging persons in the United States—that Federal legislation be enacted—separate and apart from the SSI legislation—which would provide a rent subsidy to persons who meet SSI financial eligibility standards and whose rent (following verification by a State department of social services) is more than 25% of his or her total income.

Precedent for this proposal exists in Federal legislation governing rentals for federally sponsored low-income housing projects. (Brooke amendment). It is obvious that this would pertain only to some localities. It is also assumed that this program would require fewer and fewer Federal funds as total SSI benefits increase permitting more persons to both pay rent and to have adequate food and clothing, and as more low-income housing is built and made available to the elderly.

Since rent for SSI beneficiaries in New York City or other major cities is frequently much higher than that in smaller communities, the SSI grant, including the State supplement, at the present time, may allow an aging person only \$30 to \$60 per month for food, clothing and other necessities.

Examples¹:

"A patient was receiving a welfare grant to cover rent and other costs, \$84 up to January 1974. The patient was hospitalized for a lengthy period and had to give up the apartment. On discharge, the only available room was \$35 per week with a monthly rent averaging between \$140 and \$175."

"Now the patient is receiving \$200 from SSI (including State supplement) with no recognition of the increase in rent. Currently, the patient has between \$31 and \$66 available monthly for food, clothes, transportation, etc. That same patient would be guaranteed \$84 above the rent if on welfare, and the State of New York has acknowledged that even that amount was based on a 1971 standard of need. The rent system is now more punitive financially than the old welfare system."

The problem in New York is similar to that in other States. Rents are rising rapidly. Housing and communities are decaying. Aging persons who may presently be covered by rent controls or rent exemptions, are unable to move to better housing precisely because rents are so inflated.

We wish to applaud our city and State at this time because (1) they "grandfathered" in all DAB beneficiaries at the level which included their rent under "welfare"; and (2) the State and city recently determined that city funds shall be used for a rent increase exemption program for aging with limited incomes, including SSI beneficiaries. However, this program does not protect persons who are forced to move—nor, have many SSI beneficiaries been processed as yet into this program. Nor does the program apply to hotels or single room occupancies.

A national flat grant system is valid only if it provides for the minimal needs of all the persons for which it is designed. Benefits must reflect rising costs, and must not force any of our older and most infirm citizens to be reduced to starvation and malnutrition, or to sleeping in the streets and characterized by many as "shopping bag rovers."

(8) *It is essential that the Federal Government mandate HEW to guarantee that every person who applies for SSI is informed of and actively helped to obtain needed social and medical services.*

¹ Testimony of Social Service staff, St. Luke's Hospital, June 27, 1974.

(1) A simple description in writing (in several languages) describing available medical and social services and other programs such as homemakers, housekeepers, consultation on family problems, available nutrition programs, placement in institutions, reduced carfare or rent exemptions, and how and where to apply for such services, must be provided routinely to every SSI applicant.

(2) In the course of the SSI application process, available services and application procedures must be described orally.

(3) Every SSI applicant or beneficiary in need of service must immediately be directed to the appropriate agency and both actively and rapidly assisted in obtaining the promised service.

(4) State department of social service workers must be outstationed at all SSA offices or have space in the same building, in order that an aging, disabled or blind person can be given "one-stop" help, and can be protected from additional physically difficult and nonreimbursed expensive travel. The Department of Social Services worker must, wherever possible, be authorized to provide needed services. If, however, the worker may only refer to another agency, he or she must make a specific appointment for the beneficiary and assist the person to get there.

(9) *It is recommended that Congress enact legislation to guarantee that every SSI beneficiary shall automatically be eligible for Medicaid. (This is now in effect in New York and several other States.)* It is further suggested that every SSI beneficiary be so informed in his "SSI award letter," and told where to obtain a Medicaid card if it does not arrive immediately. *It is suggested that States be financially penalized if they do not inform all SSI beneficiaries of their Medicaid entitlements.*

When persons are older or disabled, they will always have medical problems. Not being able to obtain appropriate care because of lack of funds or lack of a Medicaid card can only make an illness worse—thus leading to much unnecessary suffering and more costly hospitalization or institutionalization. It is therefore the responsibility of Congress to make Medicaid a truly functioning program and to make certain that all SSI beneficiaries receive Medicaid benefits as automatically as they were promised.

We appreciate having had this opportunity to present to this Committee our recommendation for legislative and administrative changes relating to SSI in order that this important program can work as efficiently as possible for our most needy aged, disabled and blind citizens.

The following are a few examples provided by agencies throughout New York City which typify some of the severe hardships which many SSI applicants or beneficiaries are suffering:

(1) Letter from Burden Center for the Aging, Inc., dated March 11, 1974:

"This woman is starving. I can't think that the administration can be so heartless as to red tape her into a hospital or undertaker. She has received only one check for \$89.68 since January 1, 1974 when she was transferred from DSS. She is a true nonreceipt and has filed three nonreceipt of check forms plus the DIIF form (to correct transfer mistakes).

"She needs funds—some funds—any funds—until the correct SSI is figured. Her entire Social Security check goes to the landlord."

(2) Received from the department of social services of the New York City Department of Relocation, dated March 25, 1974:

"Mr. and Mrs. Z were referred to us on March 5, 1974, because they were not paying rent to the city. Our worker found that the Z's had received no money since December 16 when they received the last OASS check. The Z's were weak from lack of nourishing food. They had been living on broth that they made from bare bones thrown away by the butcher. The SSA office had no records for them so new papers were filled out. They were told that they would receive the money they were entitled to but would have to wait for a few weeks. The Bergen DOSS Center turned them away because "there is no emergency money for anybody."

The Church of the Immaculate Conception is now providing some food for the Z's.

In a followup call, we discovered that the Z's did receive a check in April. There are still many cases, however, who have not begun to receive checks or who, although they received correct checks in January, February, or March have not received a check or have received incorrectly reduced amounts in March, April, May, or June.

(3) The Director of a DSS Center called to ask what he should do for a 25-year-old epileptic who lives as a boarder and has been threatened with

eviction because her April check did not arrive. The SSA office would give her no emergency funds until the check was traced. When I offered no solution, he decided to give her DSS funds illegally because he is convinced that her suicide threats are very real.

The United Cerebral Palsy Association, Inc., reported knowing two suicide cases due to nonreceipt of SSI checks.

(4) The Salvation Army in Brooklyn reported on April 23, 1974: "Mrs. F.B.C., a 63-year-old woman, self-supporting until 3 years ago, when, because of hypertension, arteriosclerotic heart disease, and arthritis, she began receiving aid to the disabled from DSS. Was referred by Congresswoman Elizabeth Holtzman. Mrs. C. moved out of the apartment she was sharing with a friend because the friend had asked her to pay the full rent, \$100 a month, as well as do all the cleaning and personal laundry for both of them. Mrs. C., a proud, intelligent but illiterate woman, resented being treated unfairly and, acting on impulse, moved into an apartment for \$145 a month. She then discovered that her furniture had been sold at auction, the Department of Social Services having discontinued paying storage fees, apparently when she was transferred from AD to SSI. She is sleeping on the floor, covered with newspapers and her only blanket.

DSS said it could not issue money for furniture.

(5) We have received endless reports about problems caused by the loss of food stamps, particularly from persons with special medical diets and special diets for religious reasons. Persons experiencing rent, utility and general cost of living increases in addition to loss of food stamps have dangerously had to reduce their food intake.

(6) The SSI check for a severely retarded 53-year-old woman has been delayed for several months. She is cared for by her 55-year-old sister. Also, in the household is a 78-year-old mother who is senile.

The only capable member of the family was placed in the position of trying to find out what happened to the checks. She made several calls to Albany, Manhattan State School and Social Security. She became very upset at the financial strain and threatened to put both the mother and sister in state institutions so as to alleviate the strain.

(7) Ms. R. received two checks from SSI with no problem. In March, she did not get a check. After three visits to SSI, Ms. R. was able to file non-receipt forms, and about ten days later, she received her check. Ms. R. is now going through the same process for her April check. Ms. R.'s checks are apparently going to her old address. She has lived, however, at her current address for two years.

(8) Miss F.'s check arrived on January 1, and she subsequently moved. February 1 check was returned to Treasury and during February, March and April, she received no check, was evicted from her new hotel, made repeated trips to SSA, was told that a replacement check would arrive momentarily. She became more and more hostile and anxious and is on the verge of a breakdown.

Note: Examples 6, 7, and 8 were taken from testimony given at St. Luke's Hospital, June 27, 1974.

Senator CHURCH. Mrs. Kinoy, proceed with your statement.

STATEMENT OF SUSAN KINOY, CITIZENS' COMMITTEE ON AGING, COMMUNITY COUNCIL OF GREATER NEW YORK

Mrs. KINOY. Senator, in this whole question of emergency funds, which we feel is of such crucial importance, we want to say first that we appreciate that the Social Security Administration has started to take steps in providing emergency funds, but they're still coming too slowly. Therefore, what happens is that additional emergency funds must be provided by a locality until the emergency funds from the Federal Government arrive. So the first thing that has to happen is that there has to be a speed-up in the whole system.

And the second specific recommendation that we wish to make, which is on the bottom of page 9 of our testimony, is that we feel that

legislation should be passed whereby general revenue funds be authorized to pay for those few loans which are not repaid. These non-payments are usually because of ignorance and not because of fraudulent motives.

If an old lady or an old man gets \$207 as an emergency fund and 3 months later finally gets the proper SSI check and is told then that he or she is to repay this money, and at this moment this person is unable to repay the money, it's not because this person is cheating. It's because this person literally is unable to do so. And there is no provision, as we understand it, within the SSI funding formula at the moment to lay out extra moneys for these people who are unable to repay. We feel, moreover, that one of the reasons, and the very sad reasons for no funding formula, as Mr. Popper has described is that there has been this ping-pong business—who is going to pay for emergency funds, the State or the Federal Government? It's that nobody wants to pick up on that very small percentage that are not repaying. Therefore, we are making a very specific recommendation, that out of general revenue funds a small pot of money be set aside which can be used in those instances—which are checked by a reliable Government source—where somebody is unable to repay a loan.

Senator CHURCH. Well, isn't it true that anyone who is found eligible for SSI is going to find it exceedingly difficult to reach back and repay for emergency loans?

Mrs. KINoy. Of course.

Senator CHURCH. After all, the very definition of eligibility is one of very stringent income limitations.

Mrs. KINoy. Exactly. But when you go back to the Social Security office, you sign a piece of paper that says, "When my check arrives, I will repay this emergency loan." And people sign this in all good faith, and then sometimes they are unable to do this.

Senator CHURCH. This is a case where the person in question is found to be eligible, is that correct?

Mrs. KINoy. Yes.

Senator CHURCH. It's something that needs to be looked into. I suppose these States treat this differently.

In New York, what is the situation? Does the State put up the money now in these emergency cases?

SOCIAL SECURITY PROVIDES EMERGENCY FUNDS

Mrs. KINoy. Right now, the Federal Government, SSA provides emergency funds. Often it takes 2, 3, 4, 5, 6, 8 weeks until the emergency funds arrive. Therefore, the local Department of Social Services uses its funds in the meantime so someone doesn't starve. In truth the State pays twice. First the State pays for the home relief that's being given, and then has to pay all over again the second time as its share of the SSI benefits because we supplement. So there are two problems involved here. But for the older person, not only is the delay an impossibility, but the persons is shunted between the Federal and the local problem.

Senator CHURCH. It is a problem, it needs a solution, and here again, a uniform method of dealing with the problem would seem to be the desirable answer. I'm not sure that this should be assumed wholly by the Federal Government as I compare the financial condition of the

Federal Government with many of the State governments. The State governments would seem eminent to solve them.

My own State has a sizable surplus now, so I'm not at all sure that we could continue on the assumption that the Federal Government can forever keep taking over from the States because it's all in all more the States' responsibility.

Mrs. KINOY. However, if the Federal Government has assumed responsibility for an income maintenance program, and the check does not arrive just because there's been a mistake in the computer, or somebody's mailbox has been robbed—

Senator CHURCH. That's a Federal mistake.

Mrs. KINOY. That's a Federal responsibility.

Senator CHURCH. Yes, I would agree, but we need to define a uniform way of dealing with this, I should think.

Our next panelist is Rev. Robert E. O'Donnell.

STATEMENT OF REV. ROBERT E. O'DONNELL, EXECUTIVE DIRECTOR, NEW YORK STATE-WIDE SENIOR ACTION COUNCIL

Reverend O'DONNELL. My name is Robert E. O'Donnell and I am executive director of the New York State-Wide Senior Action Council, Inc. State-Wide is a coalition of senior citizen membership organizations throughout New York State and has been actively involved with SSI since spring of 1973. On behalf of State-Wide's new president, Carl Eberhart, of Watertown, N.Y., and our board of directors, representing all 10 White House Conference regions of New York State, I would like to thank you for this opportunity to testify concerning the problems of SSI and also to commend your committee for your continued interest in and support of positive legislation for the almost 2 million senior citizens of New York State and the over 20 million senior citizens of the country.

Although the senior citizens of New York State view SSI as an important, even historic, step in the history of social welfare—as your chairman has stated, “For the first time, a system of direct Federal income maintenance payments at a set national minimum level will be made to the blind, disabled, and aged, administered by the Social Security Administration”—State-Wide sees some fundamental problems with the program. We feel strongly that while supporting the basic principles behind SSI that it is imperative, at this time, to note these important problems in relation to the future direction of Social Security.

NEW YORK SSI PROBLEMS STATEWIDE

Before discussing these individual problems of SSI, we would like to make a brief observation. Frequently we have heard or been told by a legislator that the problems of SSI were limited to New York City and that somehow, the rest of the State and the country were immune to these problems. Let State-Wide make it very clear now that SSI is a statewide problem. Again and again in our meetings with the senior citizens of New York State, whether in the upstate cities of Rochester, Buffalo, or Binghamton or the rural counties such as Jefferson, Steuben, or Schuyler, a key concern was the many problems surrounding the SSI program.

This was highlighted at our State-Wide convention in Kingston, N.Y., in May of this year where a key priority of the delegates was the future direction and planning of SSI. SSI affects all the elderly poor whether they live in New York City, Rochester, Jefferson County, or Penn Yann.

The fundamental problems of the SSI program and the areas of greatest need for future planning as seen by the senior citizens of New York State are as follows:

(1) Administrative problems: Unfortunately, the beginning of the SSI program in New York State was marred by an incredible administrative inability to cope with the transfer of the old DAB recipients and the thousands of new elderly poor recipients throughout the State. The stories of long lines, nonreceipt of checks, incorrect amounts, lack of trained staff, constant need for the elderly recipient to travel long distances repeatedly to fill out new forms are all too true. Hopefully, these problems have been resolved but one must raise the question for the thousands of senior citizens throughout the State who suffered many hardships during this transition period why this period of turmoil and confusion was ever allowed by the various authorities when they were frequently urged during 1973 by many private agencies and advocate councils to consider the special needs of the elderly during a new program.

(2) Inadequate income level: The major flaw of the program is the totally inadequate nationally set minimum income level. The White House Conference of 1971 has set as an income level for all senior citizens the intermediate Bureau of Labor Statistics standards which for a couple in 1972 was nationally \$4,967 and in New York, \$5,880; and for an individual 75 percent. The SSI standards fall far below this mark and have been called by the senior citizens of New York State, "guaranteed poverty." As pointed out in your recent report, the SSI standards are in fact lower than the national poverty lines for 1974.

SSI PLACES ELDERLY IN WORSE POSITION

It is sadly ironic that a Federal program that has been described as offering a design for dignity for the elderly poor and as an option to welfare has resulted in placing the elderly poor in New York State in a worse position than if they have remained on and became part of the former welfare system.

If the senior citizen had remained on welfare, she would have received a significant increase in food stamp benefits in January. Instead, on SSI she receives no food stamps at all and has lost income in the State cash-through policy.

Senator CHURCH. May I ask you at that point if this is not the result of the decision of the State of New York to cash out the food stamps?

Reverend O'DONNELL. Yes, that is true, but we also feel that there has to be more communication on the Federal and the State level.

Senator CHURCH. I mean, the Federal Government as such does not control the decision of the State government.

Reverend O'DONNELL. True. What I'm trying to bring out is the point that in New York State, the welfare of the elderly recipient on SSI, in the program in general, is now worse off than if they remained on the welfare system.

Senator CHURCH. But is that because of the State decision?

Reverend O'DONNELL. True. But senior citizens of my State see SSI as both a Federal and State program and are confused by the constant struggle between the Federal and State. What they see is their need now. If the senior citizen had remained on welfare he would be receiving a 12-percent increase in State benefits. Instead, on SSI he'll receive reduced supplementary payments when the increases in SSI and Social Security go into effect.

If the senior citizen had remained on welfare, their increased rent and utility costs would have been met by the Department of Social Services. Instead, on SSI she has the option to eat or pay her rent and utility.

If the senior citizen had remained on welfare and faced an emergency situation, such as an eviction, fire, or lost cash, then she could have received assistance from the welfare system. Instead, on SSI, she is only entitled to an initial \$100 Federal emergency payment and to very restrictive assistance on a State level.

Steven Brown of the Greater Upstate Law Project in his testimony at the Rochester hearing of the Wemple Committee estimated that in 51 counties in New York State SSI recipients would be better off under the welfare system and after the 12-percent increase in welfare benefits and the Social Security increase a single person living on SSI will be \$42 behind his former welfare payments and a couple even further.

Mrs. Eula Mae Taylor of the Montgomery Senior Citizen Club in Rochester, a SSI recipient, states:

I was better off before SSI . . . more days we go hungry. If we don't go hungry, we can't pay the bills. And we don't get no cut at the grocery store.

Assemblyman Clark C. Wemple, chairman of the Assembly Committee on Social Services, in his opening remarks at the SSI hearing in New York City on June 27, 1974, stated:

The testimony we heard in Rochester and Albany which included statements from a number of actual SSI recipients, some who spoke with tears of frustration in their eyes, confirmed this (negative) characterization and supports the view that a fundamental reassessment of the program is warranted. I am beginning to believe that this program is so deficient in the way it meets its recipients' needs and what it has put them through to secure its benefits that, as several witnesses have already suggested, they were better off with the previous system. Foisting such a program on the aged, blind and disabled is simply inconsistent with the compassionate approach of government to real human needs.

State-Wide feels strongly with your chairman that the SSI program is an important development in social welfare legislation and agrees with him that a key priority must be the increase of the levels to at least an adequate level that would eliminate poverty among the elderly.

EMERGENCY PROCEDURES LACKING

(3) Emergency situations: One of the key areas of concern that surfaced with the New York State experience with the SSI program was the lack of necessary procedures to deal with emergency conditions that might face the elderly. Throughout the State, private agencies found themselves inundated with poor elderly recipients seeking emergency assistance for such problems as lost checks, evictions, fire, undelivered checks. Too often in the Federal and State discussions concerning residual responsibility for SSI recipients, the SSI recipient was seen as a ping-pong ball in a match between the State and the

Federal Government with awesome effects upon both the individual elderly recipient and the future success of the program. Horror stories concerning the unwillingness of both the State and Federal authorities to accept any responsibility for the poor elderly recipient, often bewildered, alone, and confused, can be told by any private agency in the State dealing with the elderly and have unfortunately become part of the SSI lore among the senior citizens themselves.

(4) Food stamps: A further area of concern is the New York State's decision to "cash through" the food stamp program for the elderly as part of the supplementary payment. The devastating toll that inflation has dealt the poor, especially in relation to food costs, was highlighted in Monday, July 8, *New York Times*' editorial entitled, "Hunger in America" that dealt in part with the positive role of the food stamp program. As the editorial pointed out:

Poor people spend a larger percentage of their income for food than does any other group in the economy. Since they already buy the cheapest foods, they can't cushion the impact of inflation by buying cheaper commodities as the non-poor do. And the prices of the foods on which they rely have increased at a substantially more rapid rate than these of higher priced foodstuffs.

The inability of the poor elderly receiving SSI to participate in the food stamp program without sufficient supplementation again places him below those remaining within the welfare system.

RECOMMENDATIONS

I have discussed some of the problems of the SSI program as it is affecting the lives of the senior citizens of New York State. The president and the board of directors of the New York State-Wide Senior Action Council would like to make the following recommendations:

(1) We strongly urge the Senate committee to work to carry out the income recommendations of the White House Conference of 1971. As the Post White House Conference panel on income pointed out, "There is no substitute for income if people are to be free to exercise choice in their style of living."

We urge that the Social Security levels be raised to the intermediate BLS levels, a move that would do much to achieve the dignity of self-decision that is so much discussed. We further recommend with the committee that the income standards for the SSI program should be raised now to a level which can, at long last, eliminate poverty for the elderly. We also recommend that an automatic cost-of-living adjustment mechanism be built into the SSI program to protect the low-income elderly, blind, and disabled prior to the inflationary spiral. Such increases must be accompanied by appropriate safeguard measures.

(2) We further recommend that the resource level for all SSI recipients be raised so that the poor elderly could maintain some sense of security and self-dignity. Frequently, we have found situations where the elderly have faced the following options: Sell what little property, insurance, or personal assets that they have to be eligible for SSI; refuse SSI benefits that they desperately need; or cheat. The elderly poor are proud Americans. The present SSI program forces them to strip themselves of their little share of security and self-dignity to partake of a program heralded to give them the dignity they already had.

(3) We further urge the present application procedure be simplified so that the elderly recipients would not be deprived of the benefits of the program because of their inability to cope with the application process. We further recommend that the present means test be eliminated in favor of an affidavit of need. The means test has become for the elderly an unwarranted invasion of their privacy and self-dignity which is rather an unnecessary carryover from the welfare system if one reviews the income research studies done on the elderly.

(4) We also recommend that the Federal Government set up emergency procedural agreements with the States so that these needs of the elderly poor can be dealt with swiftly and satisfactorily.

(5) We also recommend that the Food Stamp program not only be restored to those SSI recipients that are now not participating but also that it be expanded to take into consideration the incredible inflationary rise in the basic necessities of the elderly. In those States that have "cashed out" their food stamps, we urge that the Federal Government insist that the actual benefits be truly reflected in an increased supplementary payment to the recipient now.

(6) We further recommend that the committee study those situations where elderly recipients are losing one-third of their benefits because they share housing facilities with another recipient. One case in particular points out the shortsightedness of this aspect of the SSI program: Two elderly handicapped gentlemen decided that for mutual help and support they would live together and share homemaking responsibilities. They soon found out that their payments would be cut by one-third if they shared such an arrangement but that they would receive full payment if they lived alone and unable to cope with their own problems.

(7) We further recommend that the SSI-Alert be continued and extended. New York State Assemblyman Andrew Stein, chairman of the temporary State Committee on Living Costs and the Economy estimates in his report, "Analysis of Economic Problems of the Elderly in New York State," that "there are 500,000 elderly living on an annual income of less than \$2,000." We cannot allow the SSI program not to reach out and benefit the hidden elderly poor. We further recommend that such SSI-Alerts involve the senior citizens organizations and clubs across the country and provide employment for the elderly poor in assisting their fellow senior citizens who require economic help.

(8) The board of directors of the New York State-Wide Senior Action Council would like to invite the chairman and this committee to come to New York State and hold special hearings on income and the future directions of Social Security. New York State has the largest concentration of senior citizens in the Nation and unfortunately we do not have representation on this highly respected committee.

The senior citizens of New York State are a highly articulate and knowledgeable body—we invite you to come hear their testimony and recommendations and to see their determination to work for and carry out the recommendations of the White House Conference of 1971. We further pledge our support and the support of those concerned with the well-being of the senior citizens of New York State in your goal to work for the senior citizens of this Nation.

Please keep us informed as to the work of your committee and we promise that we will make your recommendations known through our newspaper, *Senior Action* as well as to all our legislators. I thank you for this opportunity to testify in behalf of the senior citizens of New York State.

Senator CHURCH. Thank you very much for your statement. I certainly do agree with you when you say that the present level of income that is established for SSI recipients falls far short of what's necessary if we're going to eliminate poverty.

I also see this as a most hopeful program that we have enacted, because it's the first program that is directed toward the low-level income people to be administered by Social Security. If we can get the levels corrected, and if we can get adjustments made for inflation to come along soon enough, then I see a pension as a method for eliminating poverty one day, among the elderly, the disabled, and the blind people in this country.

Certainly there is some place we should make our first start toward the elimination of poverty, and if we can't get it done there, we're not going to get it done at all. But, the purpose for these hearings is to determine what the shortcomings of the present program are and see how we can correct them, and your testimony has been most hopeful.

Senator CHILES?

Senator CHILES. I wonder if someone on the panel can tell me whether you have any figures, or whether New York has any figures of how many new people we're talking about that were not on welfare, on the present welfare programs of New York before.

Mr. POPPER. I don't know about the State figure, but in New York City, as of June 30, we had added 120,000 people.

Senator CHILES. That was the 120,000 figure that you gave—that was in New York City?

Mr. POPPER. Yes, sir, that was New York City. I don't know the State.

NEED TO CONTINUE SSI-ALERT PROGRAM

Reverend O'DONNELL. I think this is what we're talking about, the SSI-Alert, the need for continuation of this program is because of the people sitting at this table, the Office of the Aging, the Community Council of Greater New York, and the SSI-Alert program brought in this number of people, the upstate areas, because they lacked SSI-Alert programs except for a few cities. They are not as successful. There are many senior citizens, as I pointed out, the estimate is there are 500,000 senior citizens who might be eligible.

Mr. POPPER. I would hate to tell you which county, but I met the county commissioner of social services in one of our counties, and he said to hell with this. It's just a lot more work to have these old people signed up. So it was really in New York City that between the three of us we made a lovely couple and did quite a fine job.

Senator CHILES. And this 120,000 increase—in your testimony I know that you said that was scratching the surface, that there are more out there—how does that fit in with the number that are presently on this program? Is that 5 percent? Is that 10 percent?

Mrs. KINOX. That were on it before?

Senator CHILES. The new, yes.

Mrs. BROPHY. There were 70,000 on old age assistance before who were grandfathered in.

Senator CHILES. 70,000?

Mrs. BROPHY. 70,000.

Mr. POPPER. Older people.

Mrs. BROPHY. We're not talking about the disabled and blind, only the aged. We added 120,000 older people through SSI. We had anticipated about 300,000 additional people from New York City.

Senator CHILES. But you have about doubled?

Mrs. BROPHY. Yes, sir.

Senator CHILES. The new people.

Mrs. BROPHY. Yes, sir.

Mrs. KINoy. In addition, sir, we have encouraged, and we know from the Social Security Administration that intent to file forms which they call lead forms have been submitted by the thousands, and the Social Security Administration has not as yet had the manpower nor the time to process these applications, and although there has been a ruling, happily, from the Social Security Administration that if a person is deemed eligible his eligibility will be retroactive to the date on the intent-to-file form, and furthermore we feel that it's shocking that a person may have to wait 3 or 4 months after the lead form has been received in order for him to start obtaining benefits.

Senator CHILES. But we're still talking about 120,000 people that are receiving some benefits now that they didn't receive before, prior to the SSI program.

Mr. POPPER. Quite true.

Senator CHILES. That they were not recipients at all.

Mr. POPPER. Quite true.

Senator CHILES. And that's about double the number that were.

Mr. POPPER. You've got to remember that you're dealing with a generation that didn't believe in accepting charity.

Reverend O'DONNELL. Eleanor Morris has pointed out that many of those hundred thousand have also found out that they were eligible for Social Security benefits.

Mr. POPPER. We found all sorts of people that were eligible for Social Security who didn't know it.

Senator CHURCH. Who didn't know it.

Senator CHILES. Well, I think we also have to take into consideration when we talk about all the problems of SSI, what some of these benefits are, that 120,000 have been identified now and are being called into the system, and weren't getting anything for it before and probably wouldn't be getting anything today if we didn't have the program.

Mr. POPPER. Oh, yes. Oh, yes.

Mrs. KINoy. We are in agreement.

Mr. POPPER. We are not critical at all. We just think we have to do better.

BAD PUBLICITY AFFECTS SSI PROGRAM

Reverend O'DONNELL. I think the concern that we might have is that the publicity surrounding the SSI program and the stories that have been published have been quite negative about long lines, about chaos, about the delays, and we really feel that there should be a continued

intent by the Federal Government to make a very positive alert system throughout this country so that those senior citizens who might be hesitating to apply for this program because of what they see in the paper about heated buses in New York City during the winter months, that they would come in—and Alice Brophy and Susan Kinoy here have been really developing a very positive approach to SSI, and I think it's very needed in upstate New York.

Mr. POPPER. We only criticize it when we come here; we didn't criticize it elsewhere.

Mrs. BROPHY. I think the other point that we should make is that with the assets limitations much higher than it was under welfare, a lot of people became eligible. We think it's great, because having \$1,500 in assets doesn't make you an affluent person in our society today. But under welfare you could only have \$500.

Mrs. KINOY. In addition to what father said about food stamps, we would like to congratulate the Congress for H.R. 15124 that you've just passed, and we certainly hope that it will be signed into law by the President. That shows that you recognize this problem, but in addition, since this is a bill that we understand that is only for 1 year's duration, we would like to agree very strongly with the recommendations of the head of our HEW district, Mrs. Bernstein, who in her testimony in New York State felt that as of June 30, 1975, every single person who meets food stamp eligibility criteria, no matter what the source of his or her income, including SSI, should be eligible for food stamps, and, therefore, food stamps should just be removed from SSI so that anybody who meets the food stamp criteria should get it, and if their income comes from SSI, that's one thing, and if their income comes from something else, they should still be eligible.

Senator CHURCH. That bill, incidentally, has been signed.

Mrs. KINOY. Good, good. That's wonderful.

Senator CHURCH. Miracles keep happening. All right. Thank you very much.

Mr. POPPER. Thank you.

Senator CHURCH. Our next witness is Hon. Martha W. Griffiths of the U.S. House of Representatives.

Mrs. GRIFFITHS. Thank you very much.

Senator CHURCH. Before we begin, let me welcome you to the committee.

Mrs. GRIFFITHS. I would like, if you have no objection, to file a lengthy statement in which I have discussed the major income maintenance programs for the aged and how they fit together, and to confine my remarks to a simpler statement.

Senator CHURCH. Yes; your statement will be included in the record.¹

STATEMENT OF HON. MARTHA W. GRIFFITHS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mrs. GRIFFITHS. Federal expenditures for the aged are scheduled to reach \$76 billion in fiscal year 1975, a staggering amount which should be achieving far more than it is. In my prepared statement, I will discuss in detail several of the largest programs for the aged. In my time now, I will summarize my principal recommendations.

¹ See p. 698.

Recommendation No. 1: Congressional actions should be based on cold facts, not merely warm feelings.—In our efforts to help the aged, we often have acted more on the urge to do good than on the basis of hard facts. Before we act, we should know the characteristics of who will benefit, by how much they will benefit, who will pay, and how much it will cost. Otherwise, we may again—as we have in the past—spend many millions, yet see that only a few dollars trickle down to the persons we intend to aid. The need for objective analysis is acute for two reasons. First, dollars to aid the aged are scarce; we cannot afford to throw them away. Second, most of the aged benefit from more than one program; unless the analysis extends to program interrelationships we will not foresee the true impact of our action.

Let me give an example. A successful amendment added on the House floor to the housing bill, S. 3066, provided that Social Security increases may not be counted to raise public housing rents. Public housing rents are supposed to be related to income, and I find no logic to arbitrarily ignore certain types of income. This amendment could be counterproductive. If it were to become standard practice, it could discourage local housing authorities from taking elderly tenants. Since housing authorities must have operating revenues, they would have to make up deficits by raising rents overall, or only for the nonaged, or seek relief from Federal taxpayers by asking the Department of Housing and Urban Development for extra subsidies.

Finally, consider the inequities involved. There was no provision to ignore veterans' pension, railroad retirement, SSI, or wage increases. Yet some of these other persons in the public housing project may have lower incomes than Social Security beneficiaries. I note that similar amendments have been introduced affecting the Food Stamp and Medicaid programs.

SOCIAL SECURITY MINIMUM RISE LITTLE HELP

Another example is the pressure to raise the Social Security minimum benefit, now \$93.80, on the grounds of helping the poor. But the millions of dollars this would cost would not give one dime to the poorest aged person on Social Security. He already is guaranteed \$72 more a month because of the new Supplemental Security Income program. The way to help him is to boost SSI higher. If, instead, the Social Security minimum were raised \$10 or \$20 or \$30 a month, it would benefit no aged recipient except those who were not poor enough to qualify for SSI. The increased minimum would be largely a wind-fall for the nonneedy, typically persons receiving other pensions because they spent most of their working years under other retirement systems.

A Fiscal Policy Subcommittee report in 1972 showed that of all married men who were newly retired Social Security beneficiaries receiving the minimum, 52 percent had other public pension income, 6 percent received private pensions, and 4 percent received veterans' cash benefits. Only 3 percent were so poor that they received public assistance.

Senator CHURCH. Don't you agree, I think you said this, that SSI represents the discriminating way to reach the people who really are most in need?

Mrs. GRIFFITHS. Of course.

Senator CHURCH. And therefore, we should improve this program if we want to reach those people.

Mrs. GRIFFITHS. Remove the welfare elements from Social Security and pay the people who have paid in.

Senator CHURCH. Yes.

Mrs. GRIFFITHS. Recommendation No. 2: Benefits for the aged should be delivered in the most efficient form possible.—When the work force and the economy are expanding rapidly, generosity to all groups—including the aged—is relatively painless. Payroll taxes automatically generate extra revenue that can be shared with retired and disabled workers and their families.

For many years rapid growth in productivity and population has made it easy to use Social Security to help many persons who are presumed to be needy, even though they meet no reasonable insurance criteria, without explicitly cutting back on benefits to retired and disabled workers.

The minimum Social Security benefit illustrates this also. A 65-year-old man retiring in July 1974 who qualifies for the minimum benefit will receive \$140.70 monthly for himself and his wife. Assuming they both live 10 years and the benefit is increased annually by 5 percent to offset cost-of-living increases, they will collect a total of over \$21,000. For this, the man could have contributed as little as \$11.50 in total—matched by his employer. Yet this man may be a retired Federal civil servant with an annual pension of \$8,000 also adjusted upward for cost-of-living increases. In this day and age, the minimum benefit for that couple is sheer waste.

Moreover, Social Security has been turned into a family benefit program, and the list of eligible dependents has been steadily lengthened to include even grandchildren, without concomitant requirements that workers with dependents pay larger Social Security taxes or take a reduced benefit themselves. As a result, 40 percent of the 30 million Americans now on the Social Security rolls are not retired or disabled workers.

Finally, benefits have been increased repeatedly in recent years to make them more nearly adequate, and since 1956 they have climbed faster than living costs and even have exceeded productivity increases.

Broadened coverage, more generous benefits for dependents, benefits as large or larger than low covered wages all have made Social Security a more adequate program for some workers, but a less rewarding one for others with higher wages or few dependents. It has proved inefficient and unfair to try to use Social Security as a welfare system without a means test, and it has reduced the capacity of Social Security to pay wage-related benefits. This pattern has been repeated in private pension plans, and in other Federal, State, and local public employee retirement systems.

WORK FORCE RATIO DECLINING

But no longer is the work force expanding faster than the population of ex-workers and their dependents and survivors. Now there are only three workers to pay the benefits of each recipient. This ratio is

falling. By the year 2025 it is expected to shrink another one-third, down to two workers per Social Security beneficiary.

Caring for the aged, who are retiring sooner and living longer, will require far heavier outlays by a relatively smaller work force. The job probably will demand higher Social Security payroll taxes to finance Social Security checks, higher consumer prices to help finance private pension plans, higher Federal, State, and local taxes of various sorts to finance public employee retirement systems and medical care.

The young should, and probably will, demand that we either cut back on benefits for the aged, or else that we distribute them in the most efficient form possible. This will mean more emphasis on need-related benefits rather than on the haphazard distribution of quasi-welfare benefits through Social Security. We must begin now to make Social Security more a wage-replacement program and less a welfare program paying out billions of dollars a year in benefits that have no basis in contributions or former earnings.

I believe that there will be painful retrenchment all around in the next several decades. Some of today's workers may fail to collect the retirement benefits they are counting on. They will be the victims of a shortfall in retirement program financing. If public employee retirement programs continue to grow plusher, it is not inconceivable to me that some programs eventually will have to default on benefits, especially at State and local government levels.

Many large cities already are suffering because of liberal pension promises. More and more State and local governments as well as industry are agreeing to demands for "30 years and out," that is, a full pension, regardless of age, after 30 years employment. Given that the average life expectancy for someone age 65 in 1969 was nearly 80 years, someone entering the labor force at age 18 could qualify for "30 and out" benefits at age 48 and then collect benefits for another 30 years, paid for by taxpayers and consumers. The distributive aspects of such schemes are horrible, since it will be the less well-paid people who will be footing a disproportionate share of the bill.

I believe these schemes require much closer Federal Government regulation than heretofore. If local officials can't take the heat, we must do it for them—although our own record is far from perfect in this regard.

Senator CHURCH. May I just interrupt to ask you this question? Wouldn't you say in this regard that the Federal retirement plan may be equally faulty?

Mrs. GRIFFITHS. It is indeed. As a retiring Congressman, I must say that I think these pensions are altogether too high, but the chances of the Federal Government being able to pay are greater than localities.

For instance, some cities are already going broke. If we hadn't instituted revenue sharing, many of the larger cities would have been in desperate straits. My own city of Detroit is one of them. I urged in the revenue sharing bill that we set up some sort of limited pension.

Recommendation No. 3: SSI must be liberalized.—If retirement systems are reoriented back to a stricter wage-replacement role and away from welfare functions, improvements must be made in the SSI program. I believe that SSI should be raised initially by more than cost-of-living increases, and eventually by cost-of-living changes alone.

SSI ASSET REQUIREMENTS UNFAIR

This will assure that money will be channeled to the neediest. Also, the SSI asset test must be liberalized. Now, some persons with modest Social Security benefits and modest assets have to choose between wiping out their savings and receiving SSI supplementation, on the one hand, and retaining their savings and forfeiting SSI, on the other.

This is unfair. After SSI went into effect last January, one aged widow with a monthly income of \$120, no car, and a modest \$15,000 house was denied SSI because she had \$2,000 in the bank, \$500 over the limit for an individual. She protested that she was being punished because she had saved instead of buying a car or a more expensive house. And she was right. For SSI rules permit recipients to own automobiles and \$25,000 houses, but sharply limit their savings accounts. Congress should liberalize the asset limit for SSI.

Senator CHURCH. I wonder if this problem could be reached if the test were an aggregate test.

Mrs. GRIFFITHS. Yes.

Senator CHURCH. Rather than a particular one.

Mrs. GRIFFITHS. Yes. As a concluding note, I want to urge that our perspectives be broader than the aged. They have special problems, but the needs of many nonaged persons also are acute. We need health insurance; that costs money. Welfare reform and greater aid for the working poor cannot be bought cheaply. The Treasury reserves of the 1950's and early 1960's no longer exist, and hard choices about distributing scarce resources must be made. I urge the Congress to approach these choices with the fullest possible information about the consequences of our actions.

Senator CHURCH. Thank you very much for what I think is a very sobering and highly responsible statement that you have made.

Mrs. GRIFFITHS. Thank you.

Senator CHURCH. I certainly will give it very careful attention. I hope the full committee will.

Mrs. GRIFFITHS. I would like to notify you and the rest of the Senate that there is a bill on which the conference committee is meeting today, H.R. 8217, which holds in it an undesirable change in the hold-harmless provisions of SSI. It would mean that once again the States that have paid the highest benefits to the aged, blind, and disabled in the past would be permitted to raise these sums at the expense of Federal taxpayers.

For eight States, the Federal Government would pay out \$75 million. In the State of California, for instance, assuming a 10-percent boost in the cost of living, the amendment could boost the California guarantee for an aged couple on Social Security, SSI, and State supplement to \$482 per month. That's almost \$5,800 per year, tax-free.

Now, to me, that is a ridiculous waste of money. These States cannot get away with the story that it costs more to live in their State than it costs in others. It isn't true. It does not cost more to live in Milwaukee than in Chicago, and the truth is that there is a greater variation between the big cities and the small towns within States than between the big cities in any part of the country.

Therefore, everybody can begin saving this afternoon on that first \$75 million going to those eight States.

Senator CHURCH. All right. I hope you try to get that message to the conferees.

Mrs. GRIFFITHS. I have. In fact, if it doesn't work, I'm going to get at the President.

Senator CHURCH. Thank you. Thank you very much.

[The prepared statement of Mrs. Griffiths follows:]

PREPARED STATEMENT OF REPRESENTATIVE MARTHA W. GRIFFITHS, OF MICHIGAN

I am pleased to appear before the Committee today to discuss future directions in programs for the aged. This is a subject of direct importance to all Americans, both young and old, and I congratulate the Committee for providing a congressional forum where the issues can be pursued in depth.

These hearings are particularly timely because the social security system has reached a crossroads. Two things have happened that lead me to this conclusion. First, we have a revolutionary new program—supplemental security income, or SSI—providing an income floor for all Americans who are aged, blind, or disabled. Second, the maturing of the social security system, coupled with dramatic changes in the age distribution of the U.S. population, mean that new approaches will be needed to maintain a viable, effective system.

In my testimony today, I will discuss first the long, and growing, laundry list of programs for the aged. Then I will describe how we stretched and diverted the social security program away from the goal of retirement income based on wages. We did this in an attempt to fill some of the gaps in welfare; but social security's quasi-welfare features have proved to be a careless way to help the needy which, at the expense of workers, give windfalls to the nonpoor. I will take up the implications of SSI, a program that should help us strengthen social security and make it more adequate for retirees. Finally, I want to talk about SSI itself. It has some problems, both internally and in its relationship to other programs, that Congress should deal with soon.

ON WHAT ARE THE AGED LIVING?

In addition to their earned¹ and unearned income and private pensions, the aged benefit from a panoply of Federal Government programs which will cost federal taxpayers an estimated \$76 billion in fiscal year 1975, and additional billions to State and local taxpayers. These programs include social security, supplemental security income, veterans' pensions, federal retirement benefits, medicare, medicaid, food stamps, meals on wheels, and subsidized housing units. The tax structure provides additional billions through double exemptions and nontaxation of social security, SSI, and veterans' pensions. States and localities often provide homestead exemptions, tax credits, and free or reduced-price transportation. Even private businesses join in by offering cut-rate meals, theater passes, and transportation.

This is a huge effort, and should be more effective than it is in helping the aged live reasonably. What hinders greater effectiveness? In my judgment there are two reasons: first, programs are designed less efficiently in reaching the poor than they should be and so waste money; and second, workers are demanding—and getting—costly settlements, such as retirement pay after 30 years, which increasingly run counter to the national economic interest.

THE STRETCHING OF SOCIAL SECURITY

Congress designed social security to be a contributory wage-replacement program which would be available to retirees on an earned-right basis. But today the connection between earnings and taxes on the one hand, and benefits on the other, is somewhat tenuous, and the "earned benefit" notion is a mixture of fact and fiction. Social security has become more "social" in several respects,

¹ Earned income is a more important source of income for the aged than is commonly believed. The 1968 Survey of the Aged revealed that earnings accounted for 30 percent of the total income of all the aged in 1967. (See Lenore E. Bixby, "Income of People Aged 65 and Older: Overview from 1968 Survey of the Aged," *Social Security Bulletin*, Vol. 33, No. 4 (April 1970), p. 14.

It is interesting that many of the aged can and do work when economic necessity requires it. For example, more than one-third of men age 65 and over worked during 1972 and 19 percent worked full time, year round. In 1967 more than half the married men age 72 and over whose other family income was below \$500 worked or looked for work, but only 10 percent did so if their other family income was between \$1,500 and \$3,000.

chiefly because of modifying it to fill gaps in public assistance programs. No federal or federal-State cash assistance program aids needy childless individuals and couples who are neither officially old (age 65) nor totally disabled. Moreover, before the implementation of SSI in January 1974, public assistance programs for the aged, blind, and disabled were State operations. Many State programs restrained applications for welfare by requiring contributions from relatives and liens on property of the poor, and by harsh administration and stringent asset limitations. Welfare's omissions and restrictions placed continual pressure on social security to cover as many workers and dependents as possible and to pay them as much as possible.

Social security's gap-filling features come in several forms. There is, first, the minimum social security benefit, set artificially high on the basis of presumed need; second, dependents' benefits, established without requirement that workers pay extra taxes for them; and, third, the benefit computation formula, which favors low earnings.

Social security's minimum benefit is very high in relation to payroll taxes paid because it is presumed that a person is poor if his lifetime earnings covered by the system are poor. However, the majority of newly retired male beneficiaries of the minimum payment have other pensions and are *not* among the neediest of the aged.² A 65-year-old man retiring in July 1974 who qualifies for the minimum benefit will receive \$140.70 monthly for himself and his wife. Assuming they both live ten years and the benefit is increased annually by 5 percent to offset cost-of-living increases, they will collect a total of over \$21,000. For this, the man could have contributed as little as \$11.50 in total (matched by his employer). Yet this man may be a retired federal civil servant with an annual pension of \$10,000, also adjusted upward for cost-of-living increases.

A second departure from the insurance concept is the inclusion of dependents eligible for benefits without a requirement that workers with dependents pay larger social security taxes or take a reduced benefit themselves. Even before the first old-age insurance check was paid in 1940, the goals of social security were enlarged and it was converted from a worker-only program into a family program by addition of benefits for dependents (wives and children) and survivors (aged widows, young widows with children, and dependent parents).

Over the years additional relatives have been made eligible and age limits have been liberalized. Dependent aged husbands of insured workers were added in 1950; widows aged 62, 1956; children 18–21 who are full-time students, 1965; divorced aged wives, 1965; students up to age 22, 1972; and dependent grandchildren, in 1972.³

Benefit amounts for an aged parent were raised from 50 percent of the worker's primary insurance amount to 75 percent in 1950; for a child, from 50 percent to 75 percent in 1960; for an aged widow, from 75 percent to 82.5 percent in 1961 and to 100 percent in 1972.

Provisions of greater help for greater presumed need—that of a worker with dependents—diluted the program's reward for past work, yielding two markedly different benefit amounts to two workers who paid exactly the same payroll taxes. The presumed need approach has made social security a much more comprehensive form of income maintenance, assuring most American families with dependent children monthly checks from the U.S. Treasury if their breadwinner died or became disabled. Indeed, 40 percent of the 30 million Americans now on the social security rolls are *not* retired or disabled workers, but are instead their wives, widows, surviving divorced wives,⁴ children, parents, and even grandchildren. All of these persons are drawing benefits on the earnings record of their former breadwinner, but their checks are paid with the payroll taxes of *current workers* and their employers. Although social security benefit increases usually are hailed as aid for the aged, this is misleading. One of three social security checks goes to persons under 65 years old, including about three million children.

² Fourteen percent of civil service retirees receive the social security minimum. In a 1971 study entitled *Preliminary Findings from the Survey of New Beneficiaries*, the Social Security Administration reported that of all married men who were newly retired OASI beneficiaries receiving the minimum, 52 percent had public pension income, 6 percent received private pensions, 4 percent received veterans' cash benefits, and only 3 percent were so poor as to be recipients of public assistance.

³ Coverage of dependents is capricious, however. A divorced wife may receive benefits drawn on her former husband's account if they were married 20 years, but not if the marriage ended six months sooner. A needy 62-year-old woman can receive aid on the account of a deceased *son* who formerly supported her, but her equally needy 62-year-old neighbor cannot receive aid on the account of a deceased *sister* who formerly supported her.

⁴ Some of the women drawing benefits on their husbands' accounts are also retired or disabled workers whose own accounts would entitle them to lower benefits.

A third welfare aspect of social security is the benefit computation formula, which provides a replacement rate for low earnings that is six times that for the highest earnings covered. Since there is no way to provide adequate earnings-related benefits to persons with a history of inadequate earnings, the benefit schedule has been warped in favor of those with low covered earnings. So, benefits do not differ as much as they would if based primarily on long-run wages and taxes. The law originally provided that the worker who retired after paying the maximum payroll tax over the years was to receive a benefit 8.5 times larger than that received by the worker who paid only the qualifying minimum. In 1950 the ratio dropped to four to one. Today the minimum benefit paid is only 3.2 times the minimum.

The social security benefit schedule for new retirees, as of July 1, 1974, shows that benefits replace a progressively higher proportion of lower average monthly covered wages:

Average monthly covered wage	Portion of average wage replaced ² by—		
	Primary benefit ¹	Primary benefit (percent)	Primary plus wife's benefit (percent)
\$400.....	³ \$259. 00	65	97
\$300.....	214. 40	71	107
\$200.....	171. 40	86	129
\$100.....	120. 80	121	181

¹ For exworker with a wife, the benefit and wage-replacement rate each are 50 percent higher.

² Average covered wages are almost always lower than those received shortly before retirement; hence benefits replace a lower proportion of a retiree's most recent wages.

³ Approximately what would be received in July 1974 by a man, age 65, who retired after receiving median covered earnings of about \$600 monthly in 1973.

The most dramatic illustration of the skewing of benefits to those with low covered wages is that a worker can retire with a social security check *larger* than even *recent* earnings. For instance, a person who worked two days a week for 50 weeks a year from 1964-73 at \$2.15 an hour—and who never previously worked in a job covered by social security—would achieve “lifetime” average monthly covered wages of \$143. Such a person could retire after July 1, 1974 at age 65 and collect a monthly social security check of \$147.10, plus \$73.60 for his wife, or a total of \$220.70, more than 50 percent above his covered monthly wage.

Benefits have been increased repeatedly in recent years to make them more adequate, and since 1956 they have climbed faster than living costs and have largely kept pace with productivity increases. In other moves to enhance adequacy of benefits, the minimum benefit paid has been raised relative to other benefits and to increases in the cost of living. In the last decade Congress multiplied the minimum monthly benefit 2½ times, lifting it from \$40.00 to \$93.80, and doubled general social security benefits. These gains far outpaced a 50-percent rise in the cost of living index in the period from December 1963 to December 1973.

Broadened coverage, more generous benefits for dependents, benefits as large or larger than low covered wages all have made social security a more adequate program for some workers, but a less rewarding one for others with higher wages or few dependents. Furthermore, although the welfare features of social security do not help poor persons outside the system, they constitute a windfall for some non-needy persons within it. It has proved inefficient and unfair to try to use social security as a welfare system without a means test, and it has reduced the capacity of social security to pay wage-related benefits. Moreover, despite costly efforts to make them “adequate,” social security benefits for many are a poor welfare substitute in money terms and must be supplemented by SSI. Far from being a residual program for the aged, blind, and disabled, public assistance has remained an important supplement to social security benefits. An estimated 70 percent of supplemental security income (SSI) recipients also receive social security checks, and conversely, about 17 percent of all aged social security beneficiaries supplement these benefits with SSI checks. Social security benefits have limited value for these welfare recipients since their welfare payments are reduced one dollar for each dollar of social security benefits over \$20 a month. Thus, the gain to an SSI recipient from having social security benefits is limited to \$20 a month in extra income.

Up to now, social security payments to most beneficiaries and their families have far exceeded the payroll taxes paid by them and their employers. The cost of benefits for each generation of beneficiaries—yesterday's workers, their families and survivors—is paid by today's workers. Because the work force and economy have expanded rapidly, payroll tax collections have risen fast enough to permit retired persons to share fully in the Nation's economic growth and productivity gains. It has been easy to use social security to help many people who are presumed to be needy (even though they meet no reasonable insurance criteria) without explicitly cutting back on benefits to retired and disabled workers.

However, this happy situation cannot endure. No longer is the work force expanding faster than the population of ex-workers and their dependents and survivors. It is estimated that in the coming fiscal year 100 million workers will be paying \$64 billion in payroll taxes to support 30 million social security beneficiaries. That is only slightly more than three workers supporting each beneficiary. The changing age composition of the population projected for the beginning of the 21st century will reduce this already low ratio of payors to payees by almost one-third by the year 2025, when only 2.2 workers are expected to be available to support each social security beneficiary. Not only will there be more retirees for each worker to support, but they will have to be supported longer, because most beneficiaries now go on the social security rolls before age 65,⁵ and life expectancy is increasing. It will be difficult to keep pace with the law's present commitments for cost-of-living increases without resorting to general revenue taxation, to even greater increases in the wage base on which social security taxes must be paid, or to a higher payroll tax rate. To go further—to continue passing along the fruits of economic growth and productivity gains—eventually will become impossible to finance by the present method. This could require combined employer-employee tax rates as high as 60 percent by the year 2045, compared with 11.7 percent now. Resorting to general revenue financing would shift the burden somewhat but would *not* reduce the heavy cost to taxpayers. Unless social security is reoriented in the very near future, current workers will be fortunate if they collect benefits that even equal combined payroll taxes paid by them and their employers plus interest.

The aging of the population will force a re-evaluation of the proper roles for social security and other public pension programs, on the one hand, and for cash aid based on income, on the other. The goal of adequate income for the aged need not be discarded, but the stress must be on greater efficiency in the use of tax dollars. Pressure to help the needy must be taken off social security. I believe that social security must be reoriented to perform a stricter wage-replacement function.

Furthermore, demographic projections unmistakably rule out any further lowering of the retirement age—in social security, other federal, State, and local public employee retirement plans, and in private pensions. "Thirty and out" provisions are being agreed to at a time when longevity is increasing. Someone 65 today can expect to live up to 80. This means that a worker entering the labor force at 18 could retire at 48 and for another 30 years collect benefits paid for by consumers and taxpayers. We are mortgaging the earnings of the next generation with each such settlement.

Equally important, there must be greater candor about social security and other public retirement programs and about private pensions. Current social security beneficiaries have not been discouraged from the belief that every penny of their checks have been "earned" because of their payroll taxes. Little effort is made to tell workers automatically (say, every year) of their accumulated contributions and retirement benefits to date and future projections, as an aid in their retirement planning. I urge that this be done.

THE NEW SUPPLEMENT SECURITY INCOME PROGRAM— IMPLICATIONS FOR OTHER BENEFIT PROGRAMS

Basic Features of SSI

Last January a huge change was made in the way we aid the aged. The SSI program opened for business, offering a federal income floor to replace the old State welfare programs of old-age assistance, aid to the blind, and aid to the permanently and totally disabled. The basic SSI program is financed entirely from federal funds and administered by the Social Security Administration.

⁵ Fifty-two percent of men and 67 percent of women retiring in 1972 were under 65.

All SSI eligibility rules, such as limits on assets, or definitions of blindness and disability, are the same nationwide. A recipient with no other counted income receives a payment of \$146 a month, and an eligible couple receives \$219.⁶ These payment levels are supplemented in a number of States, ranging up to \$252 for an individual in Massachusetts and \$440 for a couple in California. The first \$85 a month of earnings plus one-half the remainder is excluded in deducting income from the benefit level. To say it another way, the program taxes earnings above \$85 at a 50-percent rate. A recipient who works can earn as much as \$377 a month and still be eligible. A couple could earn up to \$523. Twenty dollars a month of unearned income such as social security is disregarded. For all SSI recipients with \$20 of other monthly income, the income floors thus are really \$20 higher than the basic guarantee, or \$166 and \$239.

By far the most important feature of SSI is its minimum income guarantee for all the aged, blind and disabled. The minimum social security benefit earlier had served as a federal income floor for part of this group—those with social security coverage. For the others, the State welfare programs placed floors under income, but at widely varying levels and with eligibility conditioned on a variety of State rules. For instance, a destitute aged individual in Mississippi used to collect at most \$75 in monthly cash aid. But in a suburb of New York City, the maximum old age relief check was \$239. The Mississippi beneficiary could not own a house valued at more than \$2,500, but the New York recipient's house had no effect on his eligibility for aid.

SSI represents the first and only commitment of the Federal Government to a guaranteed minimum income for *all* persons in an age group, but another federal program offers cash aid to some of the poor aged (and disabled), namely, the pension program for needy veterans run by the Veterans' Administration. Most SSI and VA pension recipients also receive social security as well. If you view the three programs as a single income maintenance system, SSI and VA pensions are like parallel supplements to social security. Over half the SSI recipients and three-quarters of the pensioners receive their benefits as supplements to social security. Looking only at the aged recipients, these proportions rise to 70 percent and 85 percent, respectively.

Before describing the consequences of these overlaps with social security, though, I shall compare the two supplements for the needy.

The Relationship of SSI and Veterans' Pensions

The Veterans Administration gives over \$2.5 billion a year in aid to more than 1 million needy veterans and their 2 million survivors and dependents.⁷ The VA pension program got underway before the Social Security Act, but even after that act permitted federal aid to State relief programs, reason remained for a program of direct federal aid for low-income aged and disabled veterans. The federal-State programs of relief were run by States on varying terms, and some took three years to even set up an old-age assistance program.⁸ In some States, benefits for the aged, blind, and disabled were too meager or eligibility requirements too harsh to be acceptable to veterans who had nationwide representation and broad public support.

Now that SSI offers a basic federal income floor, however, should we still retain a separate program—with separate offices and separate rules—for needy veterans? SSI has erased most of the old objectionable eligibility restrictions of old-age relief. And its basic benefit level for an eligible individual is slightly higher than that of the pension program (\$146 versus \$143 monthly) and much more generous for aged couples (\$219 versus \$154 monthly). In many States SSI supplements lift benefits for the single beneficiary well above VA levels.

In some other ways, the veterans' program is less generous than SSI. For example, an aged veteran who earns \$100 a month can receive a VA pension of \$112, but if he qualified for SSI, his benefit would be \$138.50 because of SSI's more liberal treatment of his earnings. Also, in all but five States an SSI recipient automatically is eligible for the minimum food stamp bonus, but a veteran pensioner must qualify on income grounds.

⁶ In enacting SSI on October 17, 1972, Congress said SSI recipients should lose eligibility for food stamps and surplus commodities, but this later was amended. In July 1974 SSI recipients remained eligible for food benefits except in five States that "cashed out" food stamps by giving recipients equivalent benefits in extra cash (a payment incorporated in the supplemental payment levels of those States).

⁷ Technically, VA pensions are for needy veterans with a non-service connected disability. The program presumes that anyone over age 65 is disabled.

⁸ Federal-State welfare payments to the disabled were authorized only in 1950, and Nevada never implemented such aid.

However, in some situations, the veterans' program is more generous than SSI:

1. **Assets.** SSI law permits recipients to have counted assets no greater than \$1,500 per individual, \$2,250 per couple. Not counted are an automobile, or a house valued at less than \$25,000. Thus, a poor elderly person who owns a house worth \$26,500, or has \$1,550 in the bank, cannot receive SSI; but if he were a veteran or a veteran's survivor, he could draw a pension.

2. **Social security.** A person living on a social security check of \$200 a month is not eligible for SSI, but if he were a veteran, he could receive a VA pension of \$57.

3. **Wives' earnings.** The earnings of an aged veteran's working wife are not counted against his pension amount, but a part of the earnings of the wife will be deducted from a couple's SSI check.

4. **Dependents.** A penniless veteran on pension receives \$3 less per month than the comparable SSI recipient, but if they both have a non-aged, non-disabled dependent, the veteran will receive \$8 more a month.

A person can get both SSI and a VA pension simultaneously, and a few people actually do. In that case, all but \$20 of the pension is deducted from the SSI payment level. This has the effect of giving the dual recipient \$20 more than the basic SSI floor.

In general, SSI tends to favor people in dire poverty; and because the SSI accounting period is quarterly rather than annual, it favors people with substantial but seasonally fluctuating incomes. The VA program tends to favor people kept out of SSI by that program's tougher rules on assets, its failure to cover dependents, and its more restrictive treatment of social security benefits. To consolidate SSI and the VA program would require changes in each. These changes should be made soon, before the huge population of World War II veterans reaches pension age.

SSI and Social Security

Now I want to turn to what I think will be the most far-reaching consequence of SSI, namely, its impact on the social security system. SSI is a basic right to income. In contrast, entitlement to social security benefits hinges on one's past work history, and the payment is in part related to average covered earnings. However, as already indicated, social security's benefit schedule also serves a welfare-type function.

It has been pointed out that it is wasteful to have one program, the social security program, trying to achieve two separate objectives—helping those presumed needy and giving pensions based on the level of prior earnings. The waste comes about because the welfare-type portion of benefits often helps beneficiaries who are not poor.

This inefficient use of funds has led me to believe that social security should stop trying to be a welfare program and stick to being a retirement system. I believe there should be a two-layer system of income support for the aged; first, a welfare layer financed from general revenues and basing payments on income need, and second, an annuity layer financed by workers' taxes and closely related to their prior earnings levels. As long as welfare for the aged was left up to State decisions, a compelling argument could be made for having social security features that departed significantly from the principle of wage-replacement. SSI has removed that argument. SSI has become the welfare layer in a two-layer system. But social security overlaps with it, still skewing its benefits in welfare fashion.

HEW estimates that one out of five of the aged on social security eventually will receive benefits under SSI. People receiving both SSI and social security receive at least \$166 monthly in combined benefits. This \$166 level is only \$20 below the *average* social security retirement check as of July 1974. States which supplement the basic SSI payment are paying even more than the average social security retirement benefit.

Given the huge overlap in the social security and SSI beneficiary groups and the similarity in benefit levels, problems of inequity and inefficiency are becoming even more pronounced. Unless program coordination is improved, interaction between SSI and social security will cause problems for recipients and for the social security system. To illustrate this, let me trace through how SSI will affect four basic aspects of the social security system. These examples deal with four of the most popular legislative proposals on Capitol Hill:

- (1) increasing social security benefits;
- (2) increasing the minimum benefits;
- (3) liberalizing the retirement test; and
- (4) liberalizing provisions for early retirement.

In late April 1974 there were:

(1) 63 bills on the Ways and Means calendar that would increase social security benefits for everyone (most of which had been made moot by enactment of a two-step 11-percent rise, effective in March and June; other bills sought larger benefit rises, ranging up to 50 percent);

(2) 5 bills that would increase the special minimum benefit on the grounds of helping the needy;

(3) 93 bills that proposed liberalizing the retirement test so that beneficiaries can work more without having their benefits reduced; and

(4) 26 bills that called for liberalizing the early retirement provisions, either to let people retire at younger ages, or to lessen the benefit reduction the social security actuary applies to the benefits of persons retiring before age 65.

CHART 1.—EFFECTS OF SOCIAL SECURITY BENEFIT INCREASE

[All figures are monthly]

	Case A	Case B	Case C
A. ACROSS-THE-BOARD INCREASE¹			
Before the increase:			
Social security.....	0	\$100	\$200
SSI.....	\$146	66	0
Total.....	146	166	200
After a 10-percent increase:			
Social security.....	0	110	220
SSI.....	146	56	0
Total.....	146	166	220
B. INCREASE IN THE MINIMUM²			
	Case D	Case E	
Before the increase:			
Social security.....	\$90.50	\$90.50	
SSI.....	69.50	0	
Private income.....	0	500.00	
Total.....	160.00	590.50	
After a 10-percent increase:			
Social security.....	100.00	100.00	
SSI.....	60.00	0	
Private income.....	0	500.00	
Total.....	160.00	600.00	

¹ Under current SSI law, unless SSI is changed concurrently, only case C is better off. If cases A and B received State supplements, those benefits would have to change concurrently, also. When Congress passed a social security increase last December, they raised SSI benefits, too. However, the increases had different effective dates, and only a few States have raised their supplemental payment levels.

² Unless SSI is changed concurrently, only case E is better off. If case D were receiving a State supplement, the State benefit would have to change concurrently, also.

First, let us consider future cost-of-living increases in social security benefits or any other across-the-board increases. As the following example in chart 1 shows, such increases will not help the poorest beneficiaries on SSI (See chart 1.). SSI was designed so that payments are reduced one dollar for each added dollar of unearned income above \$20 a month. Therefore, there is only a flat \$20 bonus under SSI for any social security income an SSI recipient may have. So, for the low-income elderly, raising social security benefits will mean only that SSI will take away what social security gives, with the total income left unchanged.

To avoid this, Congress may raise SSI benefit levels at the same time that social security is increased in order to pass the increase on to SSI recipients. But, unless the States that supplement SSI voluntarily raise their payment levels in conjunction with the congressional action, the roughly one-half of SSI recipients who get a State payment will be no better off. We heard loud complaints last year from people who lost welfare and medicaid benefits after the 20-percent social security increase, or who saw no income gain from that increase because their welfare payments were reduced. This type of complaint will be heard again.

For the second example (chart 2), consider the principle that the more you contribute to the social security trust fund, the more you should benefit from social security after retirement. This will not be true for the several million retirees and widows on SSI. Their social security benefits will be worth only \$20 a month in added income, in spite of what the numbers on their social security check may say (See chart 2). Their monthly social security checks may be for the minimum benefit of \$93.80, or for \$120 or \$165, but the total income from SSI and social security will be the same \$166, only \$20 more than a person who never contributed to social security. In Massachusetts, this levelling effect will apply to individuals with social security benefits as high as \$272; in California, to couples receiving the maximum social security benefits payable anywhere in the Nation.

By contrast, the VA pension program does not relate to social security this way. Under the VA program, a veteran with social security would retain about 40 percent of that benefit, having only 60 percent of it used to reduce the pension.

CHART 2.—NET RETURN TO RETIREES FROM SOCIAL SECURITY BENEFITS

[All figures are monthly]

	Case A	Case B	Case C
Social security.....	0	\$100	\$200
SSI.....	\$146	66	0
Total.....	146	166	200

Note: Case B has a \$20 advantage over case A, so B's social security benefit is worth 20 cents on the dollar. The higher-benefit case (C) has a \$54 advantage, which means that the \$200 benefit is really worth 27 percent of its face value.

This reduction in the worth of social security imperils its popularity. Unless the relationship between SSI and social security is improved, social security will lose supporters.

As a third example of how SSI and social security interact, consider the retirement test used by social security to partially reduce benefits when beneficiaries go to work. Liberalizing the retirement test has long been popular, urged mainly as a measure to let the elderly supplement meager social security benefits with wages. But liberalizing the retirement test will do nothing for the neediest aged on SSI. How much their earnings add to total income is governed not by the social security retirement test but by the lesser amount of earnings disregarded in computing SSI benefits. (See chart 3.) Liberalizing the retirement test may be constructive, but it will not help the neediest beneficiaries. Chart 3 shows this limitation.

CHART 3.—EFFECT OF THE SOCIAL SECURITY RETIREMENT TEST AND THE SSI EARNINGS DISREGARD

[All figures are monthly]

	Case A	Case B	Case C
Cases with no earned income:			
Social security.....	0	\$100	\$200
SSI.....	\$146	66	0
Total.....	146	166	200
Cases earning \$150 a month:			
Earnings.....	150	150	150
Social security.....	0	100	200
SSI.....	114	24	0
Total.....	264	274	350

Note: The social security retirement test ignores the full \$150 of earnings in benefit computation. However, the SSI rule does offset a part of earnings against benefits, so cases A and B gain less from work (\$118 and \$108, respectively) than case C (\$150).

Finally, think about what will happen to the financial penalty imposed by social security for retiring early at age 62. Social security data show that 60 percent of new retirees stop work before age 65, even though they are penalized by an actuarial reduction in their benefits. This proportion is likely to increase

under SSI because there will be a greater number of social security beneficiaries with little to gain from full retirement benefits at age 65 compared to what SSI will offer them. What a low-wage worker loses in social security by retiring early, SSI will make up. Chart 4 illustrates this. (See chart 4.)

CHART 4.—IMPACT OF SSI ON EARLY RETIREMENT DECISIONS

[All figures are monthly]

	Case B		Case C	
Cases retiring at age 65:				
Social security.....	\$160		\$200	
SSI.....	6		0	
Total.....	166		200	
	At age 62	At age 65	At age 62	At age 65
Cases retiring at age 62:				
Social security.....	\$128	\$128	\$160	\$160
SSI.....	0	38	0	6
Total.....	128	166	160	166

Note: If cases B and C retire at age 65, case C has \$34 more in monthly income. But if they retire early, when they reach age 62, case C's advantage has been eliminated. In effect, case B suffers no penalty for early retirement since SSI makes up for the actuarial reductions.

The four legislative favorites that I have discussed essentially are *irrelevant* to people on SSI. The first three measures cannot help them at all. As for the fourth, anyone who expects to be on SSI at age 65 is unlikely to be deterred by early retirement penalties of social security.

These program interactions today are unfair to taxpayers as well as beneficiaries. The welfare role played by social security's minimum benefit, for example, holds down potential SSI expenditures. As a result, workers who pay the regressive social security payroll tax are paying to provide an income floor for the aged that should be financed by the progressive federal income tax. Straightening out the roles of the two programs is likely to require bigger spending on SSI from general revenues, but it should also mean bigger retirement benefits for people paying the payroll tax. When the wage-earner retires, the retirement benefit could replace a higher percentage of wages if social security were freed of the burden of welfare-type provisions.

PROBLEMS WITHIN THE SSI PROGRAM

Major administrative problems for SSI may stem from tolerating some of the old State welfare rules about eligibility and computing benefits. In the State supplemental programs, a State opting to administer its own program can retain the detailed, case-by-case itemized budget approach that we associate with welfare administration. But even if federally administered, HEW permits State supplementary programs to apply some of the most despised eligibility provisions of the old assistance programs—holding liens on a recipient's property, and requiring relatives of a recipient to contribute to his support. HEW plays no role in administering such rules, however.

The basic federal SSI program outlaws liens on property or contributions from relatives. But there are two other federal administrative provisions which, if properly enforced by the Social Security Administration, will add enormously to the administrative burden and must be very unpopular with both actual and would-be recipients. If not properly enforced, these rules will appear arbitrary and capricious and will be equally unpopular. These are the limits on assets and the very broad definition of what is to be counted as "income."⁹

There always have been several drawbacks to using asset limits to determine welfare eligibility. It is sad that an otherwise simplified and improved program like SSI kept this sort of rule. Strict asset limits add to administrative problems,

⁹ For further discussion of these issues see *The New Supplemental Security Income Program—Impact on Current Benefits and Unresolved Issues*, Paper No. 10, prepared for the Subcommittee on Fiscal Policy, Joint Economic Committee (Washington: U.S. Government Printing Office), October 1973.

because monitoring asset inventories is more difficult than keeping track of income, and setting a value on some types of assets—even such a common thing as real estate—can be very difficult.

Worse than the administrative problem are the perverse results of an asset limit. A recipient is rewarded for spending current income on consumption goods and penalized for being thrifty and saving. An applicant who accumulated some property in the past is punished, while an applicant who never saved a penny is benefited. A better solution is needed to give people incentive to save and to avoid the difficult and demeaning administrative job of worrying over whether a person's automobile is too fancy or whether the value of a recipient's house has inflated beyond the program's \$25,000 limit.

The law, and the administrative interpretation of it, seem to go too far in the scope of things to be counted as income. For instance, the rules say that if a person is regularly taken to dinner by a relative, the value of that meal is to be regarded as income of the recipient. If a person receives a gift or award, even if in the form of an article rather than cash, the article's value must be counted as income. How to administer such an income definition boggles the mind. Although \$60 per quarter of irregular or infrequent income is not to be counted, someone has to keep track of who is over the \$60 limit and by how much. SSI's income definition represents a left-over relic from the old welfare system.

Another troubling aspect of SSI is the continued pressure to have federal funds offset State costs if a few States choose to raise their supplemental payments. When SSI was enacted, we provided the States with fiscal protection against cost overruns due to caseload growth. We felt the States deserved this protection against the uncertainties of a major change in very complex statutes. But except for this transitional protection for certain high-payment States, congressional intent under SSI was to offer the same income floor for the aged, blind and disabled regardless of place of residence.

But pressure for more federal sharing in State supplements, especially in the high-payment States, is considerable. I led a poor fight to defeat such a move last year, but Congress confronts this issue again this summer.

Let us examine the primary arguments for continued federal financial involvement in State-supplementary programs. First, it is claimed that people desperately need the money because of increases in the cost of living. There is little doubt that this is true, but the money is most desperately needed where benefits are lowest, no in the several so-called "hold harmless" States, where benefits already are relatively generous. *Offsetting cost-of-living escalation is most effectively accomplished by raising the basic SSI floor.*

Second, it is argued that costs of living are much higher in some States than others. In fact, differences in *standards* of living are much greater than in *costs* of living, and people tend to confuse the two. A recent study showed that at incomes near the poverty level, the widest gap in living costs between any two urban areas was only 8 percent of the poverty income level.¹⁰ Poorest persons and families must confine their purchases to basic necessities, and these differ little from one area to another. Further, price differences are greater *within* regions than *between* regions. For example, differences in living costs between the average Southern city and the average Southern nonmetropolitan area are greater than those between the average North Central city and the average Southern city. While we often think of certain northern industrial States as having exceptionally high costs of living, people living in Atlanta, Georgia and Topeka, Kansas actually have higher living costs than several million people in New York, California, Michigan, and Pennsylvania who don't live in the largest cities.

If differences in State supplementary levels bore a consistent and significant relationship to cost-of-living differences, perhaps the grounds for federal help to continue raising them across the board would be stronger. Since this is not the case, federal help largely would serve to further irrational differences among States based on State fiscal capacity.

Third, some people apparently feel that their State legislature will not be generous and automatically pass on the SSI increase. They might be right, but it is unfair to pass the buck to Congress and say, "You do what my legislature will not do, and you pay for some or all of it, too." Social security and SSI increases save most States money. If voters in those States want those funds channelled to the aged, blind, and disabled, they can make their voices heard.

¹⁰ See Timothy M. Smeeding, "Cost of Living Differentials at Low-Income Levels," Institute for Research on Poverty Discussion Paper No. 190-74, University of Wisconsin, 1974.

It is always difficult to answer letters from constituents who have been led to expect increases in their incomes because of social security or SSI increases, but find instead that their total incomes are unchanged or only slightly higher because of reduced State supplements or higher rent or food stamp prices. But I fear that we have been less than forthright in such matters. These programs are based on income, and as income rises benefits are reduced—for the aged as for everyone else. Unless we are willing to freeze need-based benefits for all recipients—ever increasing, never decreasing them, regardless of changes in other income—I can see little justification for making exceptions. We should make much greater efforts to help people understand why their benefits change.

In my judgement, SSI should be raised initially by more than cost-of-living increases, and eventually by price changes alone. Raising this cash amount will help needy recipients more than other, piecemeal ventures for the aged such as transportation stamps, housing allowances, extra food stamps, or investment of federal funds in raising State benefits. And, I urge you to remember that these "piecemeal ventures" also are income-related benefits, and if enacted, would only exacerbate the problem of benefit reductions as social security or SSI increases were granted.

CONCLUSION

In closing, let me briefly restate my major points. We have completed a decade of tremendous growth in programs aiding the aged, culminating in the start of the SSI program. The demographic trends suggest the social security system will face a financial crisis about 40 years from now when the post-war babies are all retired and dependent for benefits upon a relatively smaller work force. Thus, our income security system for the aged—both public and private benefits—needs some restructuring.

I suggest that the two programs based on need—SSI and VA pensions—be merged in recognition of the duty the Federal Government has to treat like persons alike. And since recipients of SSI and veterans' pensions generally also are social security beneficiaries as well, I suggest that the relationship between welfare programs and social security be straightened out to resolve the various problems I described. These problems may strike some as insignificant technical quirks, but they trouble constituents deeply, and most of us would like to have solutions for them.

Before these problems of coordination can be dealt with, it seems to me that social security must turn away from its past attempts to provide an adequate income floor for beneficiaries and resolve instead to more consistently—and more generously—replace some of the earnings lost by the retired and disabled. But SSI must be strengthened and enlarged if it is to provide a substitute for the welfare elements of social security. Changes are necessary in SSI benefit levels, and SSI must be better integrated with social security. In particular, SSI should be operated with such dignity and objectivity that applicants and recipients feel comfortable with it. And SSI benefits, now set at \$146 for individuals and \$219 for couples, should be raised, initially by more than cost-of-living increases, and eventually by price changes alone. Increasing the basic cash floor will help needy recipients more than other piecemeal ventures.

As I have illustrated, programs for the aged do not constitute a coordinated system. Thus, small changes in one program can have unfortunate and unintended consequences. The problems are basically structural in nature, but are compounded by the misunderstanding of recipients. Perhaps the most crucial is that SSI recipients see no gain from social security increases unless corresponding increases are granted in SSI. This problem can be solved by coordinating social security and SSI increases.

Another serious problem is that social security benefits and coverage decline in value as welfare benefits are raised. More persons find that their total income is only \$20 more per month than it would have been without social security coverage. Moreover, all social security beneficiaries who qualify for SSI (and have no other income) will have identical total incomes, regardless of the amount of their contributions to social security or the amount of their social security benefit checks.

Since a substantial share of social security beneficiaries now receive amounts greater than employer-employee contributions plus interest, there is some logic to this 100-percent benefit-loss rate. But if social security is reoriented so that benefits more truly are earned, the SSI benefit-loss rate applied to social security income should be reduced at least to 67 percent. This would permit a desirable differentiation between retirees based on their former status as social security contributors.

Senator CHURCH. Our next witness is Hon. Bella Abzug of the U.S. House of Representatives.

Ms. ABZUG. Thank you, Mr. Chairman. I am very thankful for this opportunity to come before you. There are some very pressing matters that I'm involved in with the House simultaneously, and I'm going to give you my testimony, and would seek your indulgence with respect to my time factor.

I would love to answer questions, but it may be that if I get a message I will probably have to leave. If time permits, I will present by statement now. If I should have to leave, I will leave my statement for the record.

Senator CHURCH. That would be perfectly acceptable.

STATEMENT OF HON. BELLA ABZUG, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Ms. ABZUG. Thank you very much. Since early January of this year, my office, like that of every other Member of Congress, has received thousands of letters and telephone calls from anguished elderly, blind, and disabled SSI recipients. It would be easy to blame the administration for all the hardships and indignities which are being borne by all these poor people.

In all seriousness, we must not and cannot take the easy way out. Every Member of Congress must accept the ultimate responsibility for what is happening to more than 3 million of this Nation's poor who were converted from State public assistance to a flat grant payment system under the SSI program.

Seven months of operation of the SSI program have demonstrated that there are serious legislative, administrative, and intergovernmental deficiencies inherent in the present SSI program. These are problems which Congress has a responsibility to remedy. To this end, I have introduced a bill, H.R. 14753, cosponsored by 30 Members of the House, which makes a limited but necessary beginning in the acceptance of that responsibility.

Probably the first, and one of the most striking, problems which became clearly apparent was our failure to provide authority to the Secretary of HEW to make emergency payments to recipients who had not received their monthly payments.

I do not want to dwell upon the very large number of checks that were undelivered, or delivered late, in January. Again, that would be the easy way to justify an amendment broadening the Secretary's emergency check issuance authority. The experience of January was not very typical. Fortunately for many recipients who did not receive their checks when due, the Secretary was able to provide some help by imaginative use of his authority under section 1631(a)(4)(A) of the act. That section provides that the Secretary "may make to any individual initially applying for benefits" an advance of \$100 from the first month's benefit. Under this section, checks are made out in advance in denominations of \$50, \$10, and \$5. It is not necessary to wait for the Treasury Department to issue an individualized check. Thus it takes only a matter of minutes for the local Social Security official to endorse combinations of these checks—called prepositioned checks—to reach the appropriate total for the individual.

In January, the Secretary simply declared that all 3 million people who were automatically converted over to Federal administration

were initial applicants, thus allowing him to make advances under section 1631(a)(4)(A). While this may have been stretching the meaning of that section somewhat, none of us can fault the Secretary for skillful, imaginative, and humane stretching of the law, given the emergency. However, it is obvious that even that generous interpretation of that section cannot be extended beyond initial applicants to ongoing recipients.

EMERGENCY PAYMENTS NOT AUTHORIZED

Once a person begins to receive SSI benefits, it is not possible to characterize him as an initial applicant. Thus if a person, through absolutely no fault of his or her own, does not receive the regular monthly SSI check, the Secretary has absolutely no authority to make an emergency payment.

Section 1 of my bill would provide that authority. Currently, without such authority, innocent recipients are made to bear the burden of agency mistakes, postal service errors, delays and thefts, or whatever. While they wait, they must often go without food and they often face the threat or reality of immediate eviction. If they are fortunate, private welfare agencies, churches, community action programs, and other organizations and individuals may partially assume our responsibility. Enactment of section 1 of my bill will place that responsibility where it belongs. Significantly, Governor Reagan has expressed his support for enactment of similar legislation by Congress; I think this demonstrates the noncontroversial nature of this provision.

Section 2 of my bill seeks to have both the Federal Government and the State maintain their level of assistance in the face of rampant inflation that appears to have become a permanent fixture of our society. It is not necessary to belabor the point that those individuals who must rely on the SSI program are the most vulnerable to inflation.

Each of the subsections of section 2 of my bill is designed to deal with one aspect of the inflation problem. Together, they do nothing more than keep people from becoming worse off; that is, the level of governmental effort is maintained at its initial level. I would hope that someday very soon we can actually increase our level of effort.

Section 2(a) of my bill permits, but does not require, each State to maintain at the very least the level of effort which it had made immediately prior to conversion from the State programs to SSI. When we passed H.R. 1 in October 1972, we permitted the States, in section 401—the so-called hold-harmless section—to maintain the levels of effort they had established on January 1, 1972. If a particular State had a January 1972 grant level for the elderly of, say, \$175 per month, we permitted it to add \$45 to the Federal SSI payment of \$130, so it could maintain its level of effort, and insured the State that if it did so, it would not have annual costs for its elderly poor which exceeded its calendar year 1972 costs.

It was then necessary to use an antecedent date because to do otherwise would be to extend a very tempting invitation to the States to take advantage of the Federal Government. For example, if, in October 1972, we had utilized the December 1973 grant levels as a maintenance of effort/hold-harmless level, it would have been possible for our hypothetical State to increase its grant level to \$500 per month in November of 1973. Thus, by incurring the necessary increased costs

for 2 months, the State could have "bought" a permanent supplemental grant level of \$500 per month for its recipients for just the cost of 2 months grant expenditures. That would have been a literal steal. Such exploitation, sadly, is not merely hypothetical.

However, since January 1, 1974, has come and gone, such exploitation is no longer possible. Because section 401 of H.R. 1 did not recognize any grant increases made by the States after January 1972, any States which made such increases did so for reasons other than attempts to exploit the Federal Treasury.

Thus, section 2(a) of my bill at least provides the States the opportunity to maintain their level of benefits as of December 1973, without putting them to the Damoclean choice of boosting the relative tax burden of its citizens above what we promised would be an upper maximum—that is total calendar year 1972 welfare expenditures—or cutting grant levels.

Many States took the latter choice and I am sorry to say that we are responsible for having caused that. How can any of us justify reducing grants to some helpless old man or woman or some blind or crippled person during the Nation's worst inflationary period? I do not think that any Member of this Congress would consciously desire such a cruel, unfeeling result. I know we had some differences of opinion about that particular section when the original legislation was passed.

AUTOMATIC INCREASES PROPOSED

The next three provisions provide for a comprehensive post-January 1974 maintenance of effort. The first such provision, section 2(b) (1) (i) (1), provides that the Federal benefit levels—presently \$146 and \$219 for individuals and couples, respectively—shall be automatically increased in the future by the same percentage of any increases in title II. Social Security benefits.

Now, I'm aware of the fact that the Senate made an effort to pass various increase provisions which are similar to the ones that are provided in this section of the bill.

I'm also aware of the fact that the House did not agree, and I'm advised that some of these provisions can now be read in H.R. 8217, presently in conference. I don't know what's going to happen to these in conference. I believe that some of the provisions, as I read them, when originally included in the Renegotiation Act, did cover, to some extent, the same remedies provided in section 2 of my proposed bill, that is, various inflationary adjustments, cost-of-living increases, and so on.

Obviously, the Senate agrees that we have to do something that is very, very important, and insuring a full inflationary adjustment for SSI recipients in the States, whether it's a rise in the Consumer Price Index, whether it's adjustments of cost of living, and each of the provisions of the four sections of my bill provide for various aspects of that.

Thus the recently enacted automatic mechanism designed to provide for inflation adjustments in title II would be incorporated into the title XVI program. Such a provision would fulfill the President's request expressed in his budget message to Congress on February 4, 1974. He then said: "I propose automatic cost-of-living increases for

the aged, blind, and disabled beneficiaries of the Supplemental Security Income program." My provision will fulfill this request.

The next section of my bill, section 2(b) (1) (2) is a closely parallel provision. It requires a similar periodic increment in the "mandatory supplemental" benefits provided by section 212, Public Law 93-66, which sought to prevent actual cutbacks to pre-January 1974 recipients. To maintain the spirit of the provision, we must provide for inflationary adjustment to that commitment; my bill will keep that commitment from backtracking.

The final link in this chain is in section 2(b) (2) of my bill. It provides for post-January 1974, inflationary adjustments in the levels of optional State supplementation. It does so by adding the absolute amount of the increases in the Federal SSI benefit levels to a State's section 401 "adjusted payment level"—sometimes called the hold-harmless level. This permits the States to maintain their levels of effort after January 1974. The section also provides a strong encouragement to pass these Federal increases fully to recipients by conditioning Federal payments under title XIX upon the State's willingness actually to pass these benefits on to recipients. Presently, such increases to recipients in States with supplemental benefit levels in excess of the Federal minimums are most likely to result in inaction by the States. Such inaction results in a decrease in a State's supplemental costs: that is, a reduction, not a maintenance of effort.

In the pre-January 1974 condition of things, the State's monthly fiscal share is \$70 multiplied by the caseload. On January 1, 1974, the Federal benefit level went up \$10. Because of present law, the State remains idle and reduces its monthly costs to \$60 multiplied by the caseload. Similarly, on July 1, 1974, the \$6 Federal benefit increase further reduces State costs.

PRESENT LAW ENCOURAGES STATE COMPLACENCY

While present law is intended to benefit recipients by at least allowing them to keep pace with inflation, it creates the very strong likelihood of a reduction of effort by a State. My bill will, over time, maintain a State's level of effort at the fixed level—\$70—of pre-January 1, 1974.

If we, like the President, conclude that the Federal Government should at the very least maintain its level of effort in SSI, it is not too much to require the States to do likewise.

I would also like to point out that this last provision in my bill will not insure a full inflationary adjustment for SSI recipients in States which supplement the Federal payment. For example, if the change in Consumer Price Index from July 1974 to July 1975 is 5 percent—should we be so lucky—the Federal benefits will increase \$7 to \$153. In a State which had a supplemental level of \$200, an increase to \$210—5 percent of \$200 is \$10—would be necessary to keep recipients from backsliding. However, my bill would require only an increase to \$207. The State would be left with the free choice of adjusting its \$54 supplement by 5 percent or \$3.

Section 4 of my bill is a simple provision designed to deal with the delay inherent in making determinations of disability. It provides that the Secretary shall reimburse any State or local government which makes any home relief, sometimes called general assistance payments,

to a disability applicant during the period of time that the application is being processed. It further provides that the Secretary shall consider those payments to an applicant as income and reduce the initial payment by a like amount.

For example, a person who applies on July 1, 1974, and who is determined eligible on September 1, 1974, will receive benefits from the date of application, July 1, 1974. Back benefits will be \$292, 2 times \$146. My bill provides that if the person receives, say, \$100 per month in home relief, that person's back benefits should be reduced to \$92—\$292 minus \$200—and the \$200 recovery should be paid over to the State or local government that paid the home relief. Thus, it can be seen that this provision will not have any cost consequences whatsoever. All it does is include the States and counties to help us by encouraging the provision of home relief to our applicants during the period of application.

Sections 5 and 6 are closely related provisions designed to improve upon the statutory provisions relating to representative payees. Section 1631(a)(2) of the act now imposes an inflexible requirement that any disabled recipients who, in addition to other infirmities, may also suffer from alcoholism or drug addiction must have their SSI payments made to a third person—called a representative payee. That person will manage the recipient's grant and insure that landlords, grocers, et cetera, are paid.

My amendment to this provision would allow the Secretary to lift this requirement when such a recipient is receiving rehabilitation treatment, and when the chief medical officer of the treatment facility certifies in writing the direct payment to the recipient would have therapeutic value to him or her; and that the medical officer certifies that there is a substantial reason to believe that the recipient would not misuse or improperly spend his or her SSI payments. Such authority is necessary to assist rehabilitation facilities in achieving full rehabilitation of their patients.

APPEAL RIGHTS CLARIFIED

Section 6 clarifies an important aspect of SSI recipients' appeal rights with regard to representative payee situations. Although the Secretary is under no compulsion to do so, he has adopted regulations which deny recipients the right to challenge the Secretary's choice of a representative payee.

When we deprive a person of the right to manage his or her own affairs, we should recognize that we are treading upon very sensitive and important rights of personal freedom. An affected recipient may grudgingly accept this deprivation if someone other than the person chosen by the Secretary is the representative payee.

Now, because of the Secretary's regulations, the Secretary's choice cannot be questioned. Such dictatorial power should not exist in such a sensitive area of personal freedom.

Section 7 provides for an important omission from present law. Presently, there is absolutely no period of time within which HEW must act upon an application. As far as the law is concerned, HEW can take 6 months, or even 6 years, to act. HEW's practice up to now has been shocking. From July 1, 1973, when it began accepting applications, to April 4, 1974, 1,333,000 applications were taken. Of those,

79,000 were denied and 200,000 have been put on payment status. The remaining 1,050,000 are doing just that, remaining.

Precisely because most applicants have no other means by which to live, we had, from 1950, imposed a "promptness" requirement on the States under the former grant-in-aid programs.

SPEED-UP URGED ON APPEALS, APPLICATION

Senator CHURCH. May I just say there that we have also received other testimony urging that a time frame be imposed as a matter of law in the processing of applications, as well as the processing of appeals, and this has plagued the whole Social Security system for a long time, apart from SSI. I think that the time has come for Congress to begin to lay down some time requirements that will expedite the process in these cases.

Ms. ABZUG. I'm glad that you feel that way, Senator, because it has been really a very serious problem.

We required the States to act on all applications within 30 days, except for the disability claims which were allowed 60 days. We should require notices of the Social Security Administration. Surely, in light of its more sophisticated manager techniques, including highly sophisticated computer equipment, it should be able to act more swiftly than the States. For years prior to enactment of H.R. 1, HEW Secretaries, Presidential counselors, and the President himself constantly reminded us of the wisdom, necessity, and cost savings of a uniform nationally administered system. If they did not intend a cruel hoax, they certainly can live with the time limits that the States learned to live with.

Section 8 of my bill, I believe, fairly resolves the issue of food stamp eligibility of SSI recipients which has so engaged us for the past 2 years. During that time, we have changed the law four times. What I propose is that we make permanent the State option of cash out or food stamps embodied in Public Law 93-233, section 8.

Further, the cash out amount in section 401 of H.R. 1 is fixed in time back to January 1972. It is the bonus value of food stamps on that date. Because the bonus values are changing due to inflation, we should provide for such changes. Otherwise, recipients in those States which have chosen to retain food stamp eligibility will get increasingly larger benefits while those who opted for the cash out will be locked into the bonus value of the Food Stamp program as of January 1972. This provision will give recipients in both cash-out States and food stamp States equitable amounts of food purchasing power.

When this bill was originally drafted, it contained a provision to guarantee to each SSI recipient residing in a cash-out State that his or her SSI benefit level would reflect the bonus value of food stamps he or she had received while off public assistance. I was pleased to have participated in efforts which resulted in the eventual passage of an amendment to do just that on June 18, 1974. The new law, Public Law 93-335, corrects an error we had made in the mandatory supplementation provisions of Public Law 93-66, guaranteeing all SSI recipients that they would receive the same benefits in the SSI program as they had received in the cash-out States—California, New York, Nevada, Wisconsin, and Massachusetts. These benefits levels will include \$10 for the bonus value of food stamps and further they will receive a

reimbursement for this amount which has been missing from their SSI checks since January 1974.

SEPARATED COUPLES PENALIZED

Section 9 of my bill would amend section 1614(b) of the act to provide that the fact of the continued existence of marital relationship be determined in relationship to the facts of the particular case. Presently, the statute conclusively presumes that a couple who has decided to sever its marital relationship is still living together. When they are living together, each gets a check for 50 percent of a couple's grant. Under present levels, each gets \$109.50. This level is 25 percent less than the combined grants for two individuals.

The gross unfairness of section 1614(b) is that each member of an actually separated couple continues to receive only half of a couple's grant, \$105, instead of an individual's grant, \$140, for a full 6 months from the date of separation.

For 6 months each must live on 25 percent less than a single individual yet his needs are the same as that single individual. I suspect that the provision got into the law at the request of HEW. Such an automatic rule which, in effect, says that a couple is not really separated until they have been apart for at least 6 months makes it much easier for bureaucrats to perform their job. With it, they do not have to make an individual determination of the likelihood of the permanence of the separation.

There are various other aspects of my bill. Provisions in sections 11 to 15 contain some vital, important SSI amendments which were originally proposed by Senator Cranston during the Senate debate on Social Security amendments. They deal with issues which I am sure we will want to consider, but which are not before the committee at this time. The Cranston amendments will make some significant improvements in the SSI program.

I commend the committee and particularly the chairman for sincerity and diligence, and most of all the enormous commitment to the aged, as evidenced by these and other proceedings. It's my hope that these hearings will provide the necessary focus and impetus toward the essential legislative action I have outlined.

I do hope that any questions that I can answer will add to the record, that might be helpful in this direction.

Senator CHURCH. Thank you very much for your testimony. I think it's been very explicit, and you've gone through the various sections of the bill you proposed, and I've followed the testimony carefully. I think I have no questions but I do want to commend you for coming and for giving the committee the benefit of your testimony.

I appreciate that very much, and since you are the last witness this morning, I think we can conclude the hearing now. It will resume this afternoon in this room at 2:30.

Ms. ABZUG. Thank you, Senator.

[Whereupon, the hearing was in recess.]

AFTERNOON SESSION

Senator CHURCH. The committee will be in order.

Our first witness this afternoon is Senator Taft of Ohio. We're happy to welcome you to the committee, Senator.

STATEMENT OF HON. ROBERT TAFT, JR., U.S. SENATOR, STATE OF OHIO

Mr. TAFT. Thank you very much, Senator.

Mr. Chairman and members of the committee, as you are well aware, as Senators we hear more about the Federal programs which develop problems than the programs which are running smoothly. In that context, I have become all too familiar with the SSI program during its first 6 months of operation.

Prior to its inception this year, the SSI program was described as a great step forward in the provision of assistance for a large segment of the Nation's poor. For the first time, our aged, blind, and disabled citizens were to have a uniform income floor which would fulfill their minimum basic needs, despite their limited abilities in many cases to earn a living. The caprices, inadequacies, and inequities of 50 different State public assistance programs for these people were to disappear.

These concepts remain valid and the SSI program remains, potentially, a major step toward a more rational and responsible public assistance program. But in its first 6 months, the program has been limited by too many operating hitches and serious shortcomings:

Recipients must wait too long while their eligibility for SSI is determined, and they are assured of no assistance during this period. Recipients designated as presumptively disabled may receive help for the first 3 months of this period, but this designation has been made only in very limited circumstances—cases of paraplegics, double amputees, or those deaf or obviously blind.

Recipients are not guaranteed protection from the ravages of inflation, which is eroding even the modest benefits now provided.

Recipients remain eligible for food stamps only through interim legislation. A law which would cut off some of them in a discriminatory fashion is scheduled to become effective next June 30.

Because of the bizarre operation of program rules, a recipient cannot live in an institution which regularly charges a fixed rate or furnishes care at a fixed rate exceeding the SSI benefit level, even though he may receive the limited help from charity or another source which is necessary to do so, unless he forfeits the total SSI benefit.

Attempts by charities, relatives, friends or other sources to help support SSI recipients are rendered fruitless by the program's dollar-for-dollar penalty for maintenance and support.

Delivery of benefits is not coordinated with delivery of other Government assistance to promote recipient convenience and to reduce hardship and ignorance of available help. Many of those eligible have not been reached and have not been informed of their eligibility. This has been commented on in the *Washington Post*, in an article this morning.

Hearing rights and other legal rights are inadequate in some respects.

ELIGIBILITY RULES "UNNECESSARILY HARSH"

Some of the rules for determining a recipient's income for the purpose of calculating the benefit level are unnecessarily harsh. There is

no provision for immediate help in hardship cases involving SSI recipients whose checks have been lost, stolen or otherwise not received.

I am pleased that Commissioner Cardwell has now announced some progress in this area, yesterday.

The provision of law which forbids payment of benefits to inmates of public institutions is having a disproportionately large effect upon my own constituents, in Ohio. Several of these problems have received considerable attention already, but others which are crying for solutions have hardly been focused upon. Treatment for SSI purposes of support and maintenance furnished in cash or in kind is a case in point, because it has thrown or could throw many institutions' treatment of welfare recipients totally out of kilter.

The benefit reductions resulting under present SSI rules produce some incredible results when applied to potential SSI recipients living in institutions with fixed charges higher than the SSI benefit level. For example, leaving aside the \$20 per month disregard of income for simplicity's sake, if the institution's charge is \$156, the SSI recipient pays \$146 and perhaps the institution absorbs or a charity pays the difference. However, that \$10 is counted as "unearned income," so that the next month the SSI benefit is reduced to \$136 and the institution has to absorb or the third party pay \$20 instead of \$10. The next month there would be \$20 in unearned income and the SSI benefit would drop to \$126. Thus, the expense of the institution or third party would be increased to \$30, which the institution or third party may or may not be willing or able to pay. The ultimate result of this process would be that the SSI benefit is reduced to zero and either the institution or third party must support the SSI recipient entirely or the recipient leave the institution.

Senator CHURCH. I can think of some Government bureaucracies, Senator, where this formula might be applied with wonderful effect.

Senator TAFT. It would have a great effect in some areas. We might not need a budget system at all.

Senator CHURCH. I have a question to ask at this point. First of all, I am told that the SSA has become aware of this serious deficiency in the program, and is undertaking to find a solution for it. They promised the committee that as soon as they have agreed upon a feasible way of dealing with it, they will revise it, but I think you have stated the problem better than any other witness.

The question I have to ask you is what do you think can be done about SSI recipients who are not in an institution but who may be living with their family, with relatives, in a private home and they also are faced with a problem somewhat similar to this, the problem being, how much allowance is to be made for in-kind services that they are receiving in the home, and it doesn't seem to me to be a situation that can be readily dealt with.

Senator TAFT. Very difficult. I think the chairman has put his finger on what is going to continue to be a most difficult problem. There is, as I understand at the present time, a one-third deduction to take care of that situation, and it's applied pretty much categorically without any adjustment for the particular needs or the ability of the family to pay, or what the true value and service being provided might be.

EQUITABLE FORMULA ELUSIVE

I am afraid that you are going to have to simply try to prescribe in the law general outlines, guidelines, and then leave it up to the administration to interpret further. I think that is about as well as you can do it. I don't think you're going to be able to come up with an equitable mathematical formula.

Senator CHURCH. I doubt very much when we get down as a matter of law, it does represent a serious administrative problem as well.

Senator TAFT. There's no question about it.

Incidentally, I have written to the SSA, making this point that I just made, concerning the examples that I've just given, and the chairman is correct. We understand that they are attempting to come up with proposals to try to remedy the situation, and I am hopeful that they will do so.

The effects of such benefit reductions, I understand also, are for the present—have been limited thus far because they have not been applied to those recipients who were converted from the old welfare program to SSI. However, a potential group of some 180,000 or 200,000 of these people possibly could be affected when the annual redeterminations are made, in addition to those who were not converted or did not previously live in institutions and must have problems now. Thus, we had better act with some dispatch in trying to solve this problem or it is likely to become a lot worse than it has already been.

Mr. Chairman, I am hard pressed to think of any other program rule in the Government which operates in such a bizarre and counter-productive manner. While I am pleased that the Social Security Administration is attempting to attack this problem administratively and I urge that this effort be continued, as I have said, we had better be ready to explore legislative alternatives promptly if an administrative solution is not soon forthcoming.

Unlike "earned" wage or salary income, "unearned" income is deducted dollar-for-dollar from the potential SSI benefit once the income disregard level has been exceeded. This arrangement eliminates any possible role of significance for tax-exempt charities or other third parties, including relatives, in assisting SSI recipients. If the charity or other third party wishes to increase the income of an SSI recipient by \$1 per month and the \$20 income disregard has already been utilized, it must pay him an extra \$147 per month to do so.

Thus, it is fruitless for a charity to help SSI recipients unless it alone can support them at a much higher level than SSI benefits. Any Government-private partnership in support of SSI recipients is eliminated, including arrangements permissible under old welfare law in which the Government would contribute welfare payments to a person's institutional support while a third party would absorb remaining costs.

While this cutoff of additional help for SSI recipients might be more justifiable if SSI benefits alone provided a generous or even a clearly adequate level of support, the provision of \$146 plus the \$20 income disregard per month is simply not enough to justify a Federal policy that further contributions from private sources are to be virtually barred.

SOCIAL SECURITY DISTRICT INTERPRETATIONS VARY

In addition to these specific concerns, various complaints have come to my office involving wide variations among Social Security District Offices in the interpretation of levels of both income in-kind and resources. While individual judgments are involved and some variations will always exist, SSA should provide the training and take other necessary steps to further more equitable administration of these provisions.

As the committee well knows, the first three problems I mentioned at the beginning of my statement recently have been acted upon by the Senate but lack final resolution as yet. The Senate has twice passed my amendment to save hundreds of thousands of SSI recipients from financial catastrophe during the weeks or months necessary to determine their eligibility for SSI. This amendment would allow States and counties to be reimbursed, out of the retroactive SSI payment due to a recipient upon the determination that he is eligible for SSI, for any payments made to him during the waiting period. By assuring the States and counties that they will be reimbursed, it should enable them to extend advances at the SSI benefit level on a widespread basis. From the SSI recipient's standpoint, the result would be the same as if he were determined eligible for SSI immediately.

Protections are included in the amendment to insure that the SSI recipient participates on a voluntary basis and is promptly paid any balance of SSI owed retroactively to him. A 1-year expiration date is included so that while adopting my proposal to provide immediate relief, Congress will continue to evaluate other means of providing this emergency assistance to SSI recipients.

I believe that my amendment is of crucial importance because food bills, medical bills and other necessary living expenses will not wait 2 to 5 months for a government determination. It could help the disabled in particular, whose determinations, tragically, are subject to the longest delays. The amendment is now being considered in the conference on H.R. 8217. I urge committee members to indicate their support for it.

In the same conference, a Mondale amendment is being considered which would allow SSI benefits to increase with the cost of living. I know that this amendment has strong support. While I am not representing a State which is involved in a major way in the issue of the mandatory benefit passthrough. I am confident that Congress can resolve that issue quickly so that SSI recipients can be protected from inflation.

In late June, Congress passed legislation which extended for 12 months the present law for determining eligibility of SSI recipients for food stamps. On the Senate side on June 3 and 4, Senators Cranston, Eagleton, Ribicoff, and I all introduced similar extensions of present law.

PERMANENT ELIGIBILITY LEGISLATION IMPERATIVE

But, while the 12-month extension was extremely important, permanent legislation is still needed because the onerous provisions of Public Law 93-86 are scheduled to become effective next June 30. By man-

dating that only those whose December 1973 combined welfare and bonus value of food stamp levels exceed their present SSI benefit level would remain eligible for food stamps, these provisions would cut off SSI recipients' food stamps in a manner not necessarily based on income; create an administrative monstrosity because of the recipient-by-recipient calculations required; and eliminate food stamps for groups of SSI recipients when SSI benefits increase even if these benefit increases are designed solely to keep pace with the cost of living. We must find a better permanent provision for determining eligibility of SSI recipients for food stamps during the coming year.

While I am vitally interested in resolutions to the other problems I enumerated, I believe that generally they will be covered adequately by other witnesses. I do want to mention again my concern that delivery of benefits be better coordinated with Government assistance programs, because that point may not be covered by others. At the very least information should be available at the same location which assures that SSI recipients will be aware not only of the extent and availability of SSI but also of other Government programs such as public assistance and food stamps.

Where possible, representatives of agencies involved in other types of assistance should be located conveniently near each other. In large Social Security District Offices and wherever else it can be arranged, representatives from other Government programs could and should even be stationed in the same offices.

I would be remiss if I did not discuss the disproportionate effect which the prohibition of SSI payments to inmates of public institutions, unless these institutions meet Medicaid standards, is having upon Ohio. In the first few months, there were many State licensed but privately controlled institutions that had been under the impression that they were being classified as public, and they were receiving different signals from the district and national Social Security offices.

Although this mixup has been cleared up, there are still charges at the State level that the public institutions prohibition is being applied unnecessarily broadly and discretionarily.

Probably the most widespread effect of the provision in Ohio, however, is its elimination from SSI of about 1,500 residents of the 54 of Ohio's 66 county homes which presently do not meet Medicaid standards. Many of these facilities are primarily residential and I believe that serious questions can be raised about applying the public institutions prohibition to them.

While the prohibition is logical when applied to inmates of institutions which it is the clear responsibility of State or local governments to provide, such as prisons, the rationale is less clear with respect to residential facilities which do not have to be provided. The effect of the prohibition in such cases is to force governments which assume the extra burden of providing them either to turn away welfare-level individuals most in need of their services or to meet Medicaid requirements which they would not be forced to meet for the SSI purposes of their residents if they were privately operated.

While the best answer for public medical facilities is certainly to upgrade these facilities to Medicaid standards, Medicaid standards are not necessarily fitting or feasible for primarily residential facilities. Often these facilities have been considered to provide an ade-

quate residence and place of general care for elderly people. In some areas, especially rural ones, the situation is further complicated by the lack of sufficient alternative facilities of this type.

Thus far, I have urged that solutions to this problem be explored at the State level. However, I believe it would be appropriate and helpful for the committee to examine whether the public institutions prohibition is appropriate in these cases.

So many different concerns about SSI have been brought to my attention that this testimony is far from all inclusive. However, I believe that the problems I have outlined are some of the most serious ones which can be addressed by legislation and I am drafting legislation which would deal with them.

COMMITTEE EFFORTS COMMENDED

I commend the committee for its interest in these extremely important matters. I will work with you in any way I can to straighten out some of these initial problems and see to it that the Supplemental Security Income program comes closer to fulfilling its great promise.

I thank the committee, and I would be glad to answer any questions.

Senator CHURCH. Senator, I have no questions. Your testimony is very clear, and we are not only glad to have it for the record, but we will examine the recommendations very carefully in connection with any the committee should issue, and we will also welcome any bills that you have introduced along these lines.

Senator TAFT. Thank you very much, Mr. Chairman.

Senator CHURCH. Thank you, Mr. Taft.

Our next witness is Mr. Peter Hughes, who is legislative representative of the American Association of Retired Persons. He is accompanied by James M. Hacking.

Mr. HUGHES. Thank you, Mr. Chairman. We have a rather lengthy prepared statement. Knowing that the committee is pressed for time, I would like to read a summary of that statement, and I respectfully request the full prepared statement be made a part of the record.

Senator CHURCH. Yes, the prepared statement will be made a part of the record.¹

STATEMENT OF PETER HUGHES, LEGISLATIVE REPRESENTATIVE, NATIONAL RETIRED TEACHERS ASSOCIATION/AMERICAN ASSOCIATION OF RETIRED PERSONS, ACCOMPANIED BY JAMES M. HACKING

Mr. HUGHES. Mr. Chairman, I am Peter Hughes, legislative representative of the National Retired Teachers Association and the American Association of Retired Persons, organizations with a combined membership in excess of 7 million persons. Accompanying me this afternoon is James M. Hacking, a member of the legislative staff.

Our organizations welcome this opportunity to appear before the Special Committee on Aging to offer our comments with respect to the administration of the Supplemental Security Income program and our recommendations for its further development.

¹ See appendix, p. 761.

Not only did our organizations actively support the enactment of this program, but we were also enthusiastic participants in the implementing outreach effort. We have been, and we remain, fully committed to the success of this program, for we consider it to be positive evidence of the continuing Federal commitment to the elimination of poverty among our aged, blind, and disabled population.

Once perfected, the SSI program should provide the basic floor of income protection on which may be built an adequate income security structure.

FACTS ABOUT SSI PROGRAM

In contrast to the official optimism expressed with respect to the program's implementation prior to the January 1974 startup date, we feel the facts are these:

(1) As of October 31, 1973—a full year after the enactment of the SSI program—no final administrative regulations had been published.

(2) The conversion process which was to be completed by October 1973 was incomplete at the time of implementation.

(3) On January 1, 1974, only 215,000 newly eligible persons had been added to the SSI rolls over and above those who were the objects of the conversion process carried out with respect to those eligible under the State public assistance programs.

In the opinion of our organizations, the delay in the issuance of regulations was attributable to at least two factors. First, regulations could not be written without some actual picture of what was happening under the old adult category programs; the time it took to compile this information into a coherent presentation meant delay for the promulgation of regulations. Second, the hiatus in leadership at the Social Security Administration resulting from the spring and summer delay in nominating a successor to former Commissioner Robert Ball compounded the SSI implementation problems.

We suggest that the developments at the planning and implementation stages of the SSI program should provide sufficient incentive for congressional action to remove the Social Security Administration from the Department of Health, Education, and Welfare in order to insulate its leadership from the pressures of politics. S. 3143, the bill to accomplish this end, has our strong support.

With respect to the delay in completing the conversion process, our organizations believe that the lack of consistency in the previous grant-in-aid programs forced the Social Security Administration to spend far more time than anticipated sorting out the data given by the States. Moreover, there appears to be some evidence of State "foot dragging" in compiling data to be used in the conversion process and State tardiness in confirming data returned to the Social Security Administration.

Our organizations find it unfortunate that HEW and SSA either failed to recognize or failed to acknowledge honestly the complex realities of the conversion process. The result was disappointment and the frustration of expectations.

The most disturbing of all the implementation problems encountered, however, is that with respect to the new SSI eligibles who are not former adult category recipients. Although the exact size of the new eligible population cannot be conclusively predicted, the figures

developed by the Social Security Administration's Office of Research and Statistics and those developed by the Bureau of Social Science Research, Inc., are substantially above the confirmed data from our early experience under the SSI program.

SLOW START CAUSES INQUIRY

While projecting a potential pool of new eligibles of from 3 to 5 million persons, only 200,000 were actually receiving SSI benefits in January of this year and only 300,000 by the end of March.

Our organizations are forced to inquire as to the reasons for this substantial discrepancy. Could it be that there is a designed slowdown in finding new eligibles? The original planning assumption considered by SSA in late 1972 was that with 15 months leadtime, some 80 percent of newly eligible persons could be identified, contacted, signed up and prepared to begin receiving SSI benefits when the program became effective.

We ask this committee to investigate whether or not this original planning assumption was replaced sometime during 1973 by a planning assumption designed more to protect the administration's budget than to implement the program. Unless immediate attention is given to further outreach efforts, our organizations believe that the SSI program may stabilize at a target level of participation under 50 percent of the estimated eligible pool.

While we can appreciate that the cost of the SSI program is of concern to the administration in general and the Department of Health, Education, and Welfare in particular, we do not believe that attempts should be made to restrain cost through a policy of deliberate procrastination in the enrollment of intended beneficiaries.

Senator CHURCH. May I say at that point, with respect to the public testimony that we received, that it suggests that if there was not intentional foot dragging in implementing this program, there at least was insufficient attention given to the necessity of moving ahead with this implementation during the 14 months leadtime that SSA had under the law. It's only now that they are stressing outreach to get people who should have been contacted months ago.

Mr. HUGHES. Senator, I think our feeling here is that there was intention. The evidence, at least to us and to a lot of our members, indicates deliberate foot dragging. I think whether it was intentional or not is really not the point anymore. The point is that intended recipients are not receiving SSI assistance.

Senator CHURCH. Compared with the way that Medicare is implemented by Social Security, and the very high percentage of eligibles that were blanketed in when that program took effect, this performance is a very poor one.

Mr. HUGHES. I think I would have to agree.

Senator CHURCH. All the testimony bears this out. One of the administration witnesses indicates that every effort is being made to rectify past mistakes in phase 2 of the outreach program, which will be underway soon. It is hoped that many of these people can be contacted and made eligible; but it comes 6 months after the effective date of the program.

Mr. HUGHES. Senator, we have the same assurances, but actions speak louder than words. We will wait to see what the action is.

If I may proceed, we have some recommendations that we would like to offer as a way to improve the SSI program.

Although the Congress, in creating the SSI program, ostensibly intended to minimize some of the more distasteful features of the existing welfare programs for the aged, blind, and disabled, an examination of the SSI statutory structure and implementing regulations indicates that some of the negative features of the earlier programs have been perpetuated.

The SSI program was to provide a guaranteed minimum income for all aged, blind, and disabled persons whose income from other sources is below a stated amount. Moreover, this minimum was to be provided in a manner designed to promote both dignity and independence. Unfortunately, insufficient income is not the only test for SSI benefits. Benefits are also conditioned upon the value of an individual's assets—both real and personal.

ASSETS TEST DEMEANING

Our organizations consider this resource test to be demeaning and at variance with the spirit of the program. The inclusion of this test is hardly what we would call a departure from past practice and its effect is the same as it has always been—to deter individuals from participation by subjecting them to probing questions and placing the onus on the expectant recipient to prove that he is a pauper.

At this point, I would like to add a personal note. I know from my association with you and the members of your committee and your staff that this is of particular importance to older people.

Senator CHURCH. Yes.

Mr. HUGHES. We hear so much about welfare programs, and people driving up in their Cadillacs and standing in line to collect their welfare checks, but I know that you have personal experience and we have personal experience, that with older people this feeling of demeaning the person prevents them from participating in a program such as SSI, because they do not like the connotation of welfare. We feel very strongly about this point.

Features such as the resource test are hardly designed to preserve the dignity of the SSI recipient.

Our organizations urge the repeal of either the resource test of section 1631(e) (1) (B) prohibiting the use of income resource declarations as a means of establishing eligibility for the program. If the true goal of the Congress was to make SSI a program to erase the welfare connotations of the previous grant-in-aid programs, the statute might be amended by inserting language directing the Secretary to make the application process as simple as possible.

While our organizations desire to see the resource test removed or neutralized, we also recognize the lack of congressional enthusiasm for making the availability of SSI assistance easy.

RESOURCE TEST MODIFICATIONS RECOMMENDED

We therefore recommend that the following modifications of the resource test be considered:

First, we urge that the individual's home either be excluded entirely from the resource test or at least be valued in a manner that takes into account regional variations.

Second, we recommend that regulation section 416.1216 governing the exclusion of household goods and personal effects be amended to provide for a declaration by the recipient that he does not have household goods and personal effects of unusual or exceptional value.

Third, with respect to the limitation on valuation of an automobile under section 416.1218(b), our organizations recognize that an SSI level of income hardly permits one to continue payments on an expensive car or even to meet the cost of maintaining a luxury car over time; we therefore recommend redefining the limit at that level at which an individual may continue to maintain a vehicle.

Fourth, our organizations suspect that the limit set for the exclusion of life insurance policies is not high enough and has been a substantial obstacle to elderly participation in the program. As the committee is well aware, it is set at \$1,500. We think that limit should be raised substantially.

Finally, until such time as the resource test is repealed completely, we would urge that resource valuation limitations be cost-indexed in order to prevent SSI recipients from being denied benefits as a result of the inflationary appreciation of property values.

With respect to the income test and the income exclusions, our organizations believe that the income test for eligibility and payment purposes should be cost-indexed in order that SSI benefits will retain their purchasing power over time. We also believe that the exclusion amounts should be indexed to prevent such things as dollar-for-dollar reductions in SSI benefits as a result of OASDI cost-of-living increases.

While the cost-indexing amendment, which was attached to H.R. 8217, would accomplish some of these objectives—cost-indexing the amount used for eligibility and payment purposes and the earned income exclusion amount—and therefore has our support, it would not accomplish all of them.

As an issue tangentially related to SSI payment levels, our organizations must question the regulatory interpretation concerning the one-third reduction in payments for an SSI recipient living in the household of another. In our opinion, the statute does not absolutely require adherence to the one-third reduction regardless of whether the individual is making any payments for support to the person in whose household he is living.

Reducing incomes for those who are contributing support and maintenance within a household conflicts with the availability of full benefits for those who pay for their support and maintenance on the outside. At stake here is the same infringement on the older American's pride that made old age assistance distasteful—an infringement on the pride which compels an older person to contribute his fair share.

Fully recognizing that the SSI program, as presently constructed, is not a purely Federal program, but rather a Federal-State partnership, the issue of State supplementation of the basic Federal benefit raises a number of policy issues which this committee should explore.

Thirty States have raised their adult payment standards since January 1972, the base date for the formula for cost-sharing under the title XVI program. At least 20 of these States at the close of 1973 had payment levels above the basic Federal floor. Consequently, with respect to these, supplementation of the basic SSI grant is required. In order to provide supplementation to all eligible recipients at levels

equivalent to the recent payment standards in these States, approximately half of them will find it necessary to increase their State and local expenditures for adult assistance above calendar year 1972 levels.

HOLD-HARMLESS FORMULA

The "hold-harmless" formula will not protect these latter States against such increases because of the 2-year lag in the base period established for the adjusted payment level. In these States the requirement for mandatory supplementation of individuals converted from the previous grant-in-aid programs has confronted them with the possible necessity of not supplementing all recipients to the payment standards, thus establishing a discriminatory "two-tier" system of income supplements as between mandated and nonmandated recipients—a double standard of supplementary income support within the same State.

There are two possible alternatives which could adjust this discrepancy, either change the base date of the adjusted payment level or cost-index it. Both of these solutions would have the effect of shifting the burden of supplementation cost to the Federal Government.

Our associations recommend the cost-indexing of the adjusted payment level. This method assures continual readjustment of this crucial component of the spending formula.

The failure of the Congress to enact some formula for assuring that the recipient will receive increases in the basic SSI Federal payment in addition to the State supplement, has further compounded the problems in the high payment States.

Under present law, there is no assurance that basic payment increases will be "passed through" to the recipients of State supplementary payments. Indeed, the increased Federal payment may be retained by the State government to prevent it from spending above its hold-harmless level. In the light of the fact that both of the SSI increases enacted to date were not passed on to recipients in eight States, our organizations would urge the Congress to expedite action on the passthrough formula contained in H.R. 8217 and would urge the Members of the Senate to insist on their amendment in the conference committee.

Senator PERCY. Excuse me. I wonder if I can interrupt you at this particular point. I have just had a notice from the floor that the consumer protection bill is being taken up.

Mr. Chairman, if I could just ask a couple of questions before I must go to the floor.

Senator CHURCH. Certainly, please do so, Senator Percy.

Senator PERCY. I wonder how you would propose we clarify the relationship between various income maintenance programs, both public and private, that is, so that we get the most for our dollars.

PROGRAM OVERLAP CREATES PROBLEMS

Now, we have obvious overlaps between basic Social Security benefits, SSI benefits, private pensions, savings, and so forth. Do you have any thought in mind as to how we can coordinate these or clarify the relationship between them?

Mr. HUGHES. I'd like to ask my associate to answer that.

Senator PERCY. Incidentally, can everyone in the room hear our witnesses? Most are shaking their heads no; I think you have to speak right out into those microphones. Thank you.

Mr. HACKING. OK, fine. Part of the problem, Senator, is that too many committees have jurisdiction over too many programs. The Congress enacts bills that are looked at by one single committee, and reviewed fully only within that committee. Consequently, you get overlap, you get one social program frustrating another. The impact of a proposed change in one program or other programs is never looked at by any supercommittee. There's no committee that looks at everything.

On the other hand, there are some ways of getting around this. I think the experience that we have with the pension reform legislation, where it had to go through two committees in each House of the Congress, was very successful and something that should be done more in the future to avoid having programs and bills considered in isolation.

Perhaps this committee, with respect to the aging programs, should assume this overview type of function. This committee should look at a particular bill on its merits and consider its effects on other programs, like the SSI, veterans' pension, and other social programs.

This overview function and the routing of bills through a number of committees is critically needed. I think that is one step to eliminate the problem.

Senator PERCY. Could you comment on what your association would consider to be an effective guaranteed income level for the SSI recipient?

Mr. HUGHES. As a very minimum, the poverty level.

Senator PERCY. Thank you. Lastly, we've had a great deal of newspaper comment on the actuarial deficits that will occur in the old Social Security system.

The Social Security Board of Trustees has reported that the Social Security system is facing a 3-percent-long-range actuarial deficit.

Would you care to comment on your association's reaction to this report? We have a great deal of concern. I've never heard as much adverse comment about the Social Security system as from people who feel that they may be paying in all of their lives and then the trust fund will end up not having enough in it. Will they have to depend on appropriations from general revenues in order to guarantee benefits?

Mr. HUGHES. Senator Percy, our associations are extremely concerned about the charges being made against the Social Security system.

We have some of the same doubts, I must admit. Many of our members who are currently recipients of Social Security write to us and tell us they don't want their children and their grandchildren to be paying in 5.5 percent of their income.

We have grave concerns, and we were pleased that this committee saw fit to start a series of hearings in this Congress on Social Security. You were basically ahead on the major criticisms that have been appearing in the newspapers recently, and we would hope that these hearings would continue and that we really can work for new directions in Social Security.

I think off the top of my head, one of the first things that we would recommend would be a serious consideration of general revenues to finance the system. Mr. Hacking of our staff is our expert on Social

Security, and he may have some further comments to make. However, I would like the opportunity to meet with you or your staff at a later date and discuss this issue more fully.

Senator PERCY. I would welcome that. I would like to set up an appointment with you to discuss this. It's a matter of great urgency, and I noticed that Senator Church joins me in expressing a deep concern about it.

Mr. Chairman, I would like to thank Mr. Hughes and also the National Retired Teachers Association and the American Association of Retired Persons whom I've enjoyed working with tremendously, and they have been of tremendous help to me and my staff.

Mr. Chairman, if I may, I would also like to indicate to Father Charles J. Fahey my deep regret at not being able to stay for his testimony, but I will study it thoroughly. He has been of tremendous help to me, as has the American Association of Homes for the Aging. I know everyone on the staff here recognizes Constance Beaumont, who worked very closely with this staff before leaving my office to join AAHA. We consider her to be one of the truly gifted and dedicated people in this field.

May I also ask the Honorable Edwin F. Flowers, the Commissioner of the Department of Welfare in West Virginia, to stand if he is in the room?

Mr. FLOWERS. Yes.

Senator PERCY. I would like to introduce you to my daughter, Sharon Rockefeller. Although she is interested in the problems of the SSI program, I know she does want me to take her to the floor now to work on the consumer protection bill.

Thank you very much, Mr. Chairman.

Senator CHURCH. Thank you, Senator Percy.

Mr. HUGHES. Should I proceed, Mr. Chairman? I have one page left.

Senator CHURCH. Will you, please.

BASIC PAYMENT SUBSTANDARD

Mr. HUGHES. The final issue upon which our organizations would like to comment this afternoon is the substandard level of the basic payment. We feel it is not too much to ask that aged, blind, and disabled persons be guaranteed income sufficient to lift them from poverty. SSI benefits should provide an income at least equal to the poverty threshold. The limited OASDI benefits and earnings which recipients are permitted to retain should be used to raise them to an income above this level.

We have mentioned before the possibility of defining poverty in such a manner designed to accommodate regional, State, or even intra-state variations. We have also acknowledged that the administrative burden and expense of constructing and maintaining such a flexible definition as the guide for basic SSI payment levels might be prohibitive. Nevertheless, we believe that such a flexible definition should be seriously considered.

In conclusion, Mr. Chairman, once the Federal SSI payment, resource and income-resource exclusion amounts are cost-indexed, and the basic Federal payment is set at not less than the poverty level, a long stride will have been taken toward removing from the poverty

category the substantial numbers of aged, blind, and disabled individuals whose fate has been such a conspicuous blot against this country's record of social progress for the last 30 years. If coupled with a prodigious and continuing effort to bring into the program all those who are potentially eligible for its benefits, this blot may finally be eradicated.

Thank you, Mr. Chairman, and I will be happy to answer any further questions that the committee might have.

Senator HANSEN [presiding]. Thank you very much, Mr. Hughes. I appreciate your kindness and your appearance here today. Let me say that there may be questions that I would like to ask. Regrettably, I had another engagement that precluded my being able to hear your most interesting presentation. If it be agreeable with the other members of the committee, it would be my intention, and perhaps this may already have been announced by the chairman, that this hearing record would remain open for a while in order that we could submit written questions to you, and if I may defer at this moment, let me say, when I have an opportunity to read your full statement, I might very well like to submit some written questions.

Mr. HUGHES. Senator Hansen, our organizations are well aware of your interest in the aging, and we would be more than happy to respond in writing to any questions that you may have.

Senator HANSEN. Thank you very much, Mr. Hughes. I appreciate that.

Let me thank you both, then, again for your appearance here today.

Senator HANSEN. The next witnesses from whom we will hear is the second panel: Robert Greenstein from the Community Nutrition Institute, and the Right Reverend Charles J. Fahey, whom I understand is presently president-elect of the American Association of Homes for the Aged, and Jack Ossosky, the executive director of the National Council on Aging.

Before hearing from this panel—and I failed to mention him, by no means the least important of the panel members is the Honorable Edwin F. Flowers, the commissioner for the Department of Welfare of West Virginia.

As that panel is coming forward, I would like to submit, in the interest of contributing to instructive discussion and analysis of the Supplementary Security Income program, two manuscripts dealing with administrative and other areas of concern with SSI, and ask that they be printed in the record of these hearings.

The first contains the observations of Mr. Earl F. Crittenden who is district manager of the SSI program in my State of Wyoming. He comes from Cheyenne.

And the second is a letter that I wrote recently to Commissioner Cardwell pertaining to determinations of income in-kind relating to eligibility for SSI payments.

Without objection, they shall be submitted and entered into the record.

[The information follows:]

JULY 10, 1974.

HON. CLIFFORD P. HANSEN,
U.S. Senate,
Washington, D.C.

DEAR SENATOR HANSEN: This is in reply to your letter in which you requested information on special areas of concern within the Social Security program.

The SSI program does seem to present some anomalies. A stated purpose of federalizing what were three state administered programs was to reduce the amount of "welfare fraud." Actually the legislation contained no specific prohibition against disposition of resources in any manner an individual wishes in order to qualify for SSI payments. The Regulations and/or administrative procedures also contained no instructions to question any sort of arrangement that an SSI applicant may have made in order to reduce his resources to a level that will enable him to qualify for payment. People experienced in the field of public assistance tell me that this is an area in which a significant amount of fraud occurred, or was attempted, during the thirty-five years of state administration.

There are a couple of areas of concern regarding SSI payments based on disability. The law requires application of the definition of disability used for Title II beneficiaries to applicants for SSI disability payments. This definition requires a considerably higher level of severity than that which was applied by most states in the Aid to the Permanently and Totally Disabled program. This definition also requires that disability must be expected to last one full year or the applicant is not found to be disabled. This causes a considerable hardship on individuals with a totally disabling illness or injury which may be expected to last only six or nine months if their income has stopped because of the disability. Their need is frequently as great as it would be if the disability were expected to last a longer period of time. Also, in the SSI disability program there is no minimum age requirement as there was for APTD. This creates such problems as the application of a test of disability that centers around an ability to be gainfully employed to persons only a few weeks of age. It has removed some children from the AFDC rolls with a resultant confusion between state and federal payments to the same household and based on different standards. It would seem more consistent to expect all children eligible for public assistance or other income maintenance payments to continue to have eligibility under the AFDC program and to make SSI disability payments to those whose disability is the reason for their need for income maintenance.

At the present time we are experiencing contact with people with both SSI and SSA eligibility who also receive a monthly supplemental payment from the State. Although the increases in both programs were intended to recognize higher costs of living, many of these people did not get any net increase in their payments as the state supplemental payment was reduced by the amount of the increase in the other payment. These are the people who probably need an increase more than any others because their eligibility is based on having a very low income.

Within the regular social security program I have an added concern. There is considerable growing pressure to eliminate the "retirement test." I am sure the Social Security Administration has to accept the responsibility of a considerable amount of this pressure because it is based on a misunderstanding of the intent and philosophy of the program. Nevertheless it does exist. It is my personal opinion that the retirement test could be modified to operate more equitably if based only on a beneficiary's income. This would remove some of the gross inequities through which many people receive substantial social security benefits on attainment of age sixty-two when there is no change in their earned income and when they were no more retired than they have ever been during their adult working life.

EARL F. CRITTENDEN,
District Manager.

JUNE 21, 1974.

JAMES B. CARDWELL,
*Commissioner, Social Security Administration,
Headquarters Building, Baltimore, Md.*

DEAR MR. CARDWELL: I am writing to bring to your attention a problem that many homes for the aged and their elderly residents have encountered in connection with the recently implemented Supplemental Security Income program.

The problem, which concerns residents of private, non-profit retirement homes, seems to stem from the Social Security Administration's interpretation of Section 1612(a)(2)(A) of Public Law 92-603. This Section defines income—both earned and unearned—which, as you know, must be considered in the computation of an SSI recipient's allowance.

In defining income, Section 1612(a)(2)(A) states that unearned income includes support and maintenance furnished "in case or kind" to an individual. In computing the amount of case assistance to be granted to residents of private,

non-profit retirement institutions, SSA officials are counting charity or philanthropy as "in kind" income, thereby reducing the amount of such individuals' SSI payments. This policy has resulted in many individuals' actually receiving less income than before January 11, 1974, when SSI went into effect, and it has also substantially reduced the capacity of non-profit retirement institutions to care for indigent persons. Also, in so far as SSI eligibility determines Medicaid eligibility, many elderly people are losing health benefits as well.

I do not believe that in enacting the Supplemental Security Income program, the Congress intended that an aged person's personal needs allowance should be reduced, or that the capacity of non-profit, charitable institutions to care for indigent persons should be diminished. Unfortunately, this has been the effect of the law as currently administered.

It appears to me that such a policy discourages private, philanthropic and charitable contributions to the aged and to institutions caring for them. Such a policy is unfortunate when we recognize that the principal reason for such massive programs as Social Security exist because of the failure of individuals to adequately care for their families and the needy.

May I suggest that you use every means at your disposal to encourage such private initiative and responsibility. To do otherwise can only result in support of the arguments of those who would force all of our aged persons to become wards of a Federal Welfare, hand-out, system, thus vastly increasing the present scope of Social Security, and aggravating its present serious problems.

Sincerely,

CLIFFORD P. HANSEN,
U.S. Senator.

Senator HANSEN. I'm very pleased, gentlemen, to have you here. I'm not certain who is to be the leadoff witness, but perhaps you have already agreed upon that, and I await your testimony.

Mr. GREENSTEIN. We have not agreed, Senator.

Senator HANSEN. Well, then if there's no objection, we will just take them in order, beginning first with Mr. Greenstein.

Mr. GREENSTEIN. Thank you, Senator. I have a prepared statement which I would like to submit for the record. It's moderately lengthy, and I will try to summarize the high points of it.

Senator HANSEN. Thank you very much. As you know, the statement will be included verbatim in the record,¹ and summarize it as you wish. I'm certain that in the interest of time that will be helpful.

STATEMENT OF ROBERT GREENSTEIN, COMMUNITY NUTRITION INSTITUTE

Mr. GREENSTEIN. Thank you. I'm Robert Greenstein from the Community Nutrition Institute of Washington, D.C., which is a private, nonprofit organization. It has worked since 1970 to combat hunger and malnutrition in the United States, with particular emphasis on expanding the food assistance programs.

What I would like to address here today is the issue of whether recipients of the Supplemental Security Income program should be eligible for food stamps, and in what sort of an arrangement.

As the committee well knows, the Congress just a few weeks ago completed action on a provision that extends present arrangements that make SSI recipients in all but five cash-out States eligible for food stamps for 1 more year. However, this provision is an interim provision. It does expire on June 30, 1975, and the question I would like to address now is, looking toward the future, looking beyond June 30, 1975, What should be the kind of permanent arrangement that is made in the SSI program for dealing with food stamps?

¹ See p. 736.

Well, the one point I would like to emphasize above all others in addressing this issue is that the Food Stamp program is really faring badly, quite badly, in reaching poor aged, blind, and disabled in the SSI program.

FOOD STAMP PROGRAM NOT REACHING POOR

About 14 months ago, HEW Under Secretary Frank Carlucci addressed this issue before the Senate Nutrition Committee and at that point Mr. Carlucci pointed out that perhaps only about 45 percent of the recipients of the State aid programs for the aged, blind, and disabled which were then still in effect were in the Food Stamp or Commodity Distribution program, even though they were automatically eligible for these programs as public assistance recipients.

Today, 6½ months after SSI has begun, there is no evidence that this has changed. In fact, the number of public assistance recipients in the Food Stamp program is 170,000 lower than it was a year ago when Mr. Carlucci spoke, in spite of the fact that 900,000 persons were in counties that switched from commodities to food stamps during this period. In addition, several hundred thousand new persons entered the SSI program, during this period, and most became eligible for food stamps as public assistance recipients. So the first basic fact is that the majority, perhaps a sizable majority, of SSI recipients who are automatically eligible for food stamps are not in the Food Stamp program.

There are several basic reasons why this is true, and I think none of these reasons can be altered without a fundamental overhaul of the Food Stamp program which clearly is not about to happen in the next several years.

One issue is the fact that, to get into the Food Stamp program, people have to go to the food stamp office and buy in. You have to put up lump sums of cash once or twice a month.

The second issue is that many people, especially many of the aged, feel too proud to use food stamps. It's the one public assistance program where you're singled out and publicly identified. People see you using food stamps in the store, and you're publicly identified as a food stamp user, especially in small towns.

Often many people in the town, sometimes nearly everyone in the town, knows who is on food stamps and who isn't.

A third factor is the application maze you have to go through to get into the Food Stamp program. You have to go down to the food stamp office, and often that's a considerable distance in rural areas. Sometimes there is only one food stamp certification point per county. You go to these food stamp offices and once you arrive there, you must complete an application form that is often lengthy and complex. In addition, rent receipts, utility receipts, and other documents are sometimes required. Yet another problem is that often there are very long lines. Recent Senate Nutrition Committee publications document that in some areas of the country people are now starting to line up at 4 a.m. in the morning to wait in line to get their appointments.

We know here in Washington, there are sometimes waits of 8 hours. In Montgomery County, where we wouldn't think there would be that many recipients and long lines, people often have to wait for 1 or 2 days and then come back again, just to see a food stamp certification

worker. And if you don't have the various documents you need, if you're not familiar with the program, sometimes you have to come back a second time.

Aged, blind, and disabled people are the one group for whom the waiting in the line, the collecting of the documents, and the confusion of a complex program is the greatest hardship. It's particularly a problem in rural areas where there isn't a good transportation system.

MANY UNAWARE OF ELIGIBILITY

A final point is that many SSI recipients may simply be unaware that they are eligible for food stamps. These are four fundamental reasons for low food stamp participation by SSI recipients, but there is a fifth very important point that hasn't been addressed too much. I did want to mention it, and that is that under SSI, what is known as the public assistance withholding option for food stamps no longer exists for SSI recipients.

This is an option that a number of States offer. Under this option, public assistance recipients may have their food stamp purchase price deducted from their welfare check automatically, and the welfare checks and food stamps are sent to them in the mail. Recipients consequently don't have to put up lump sums of cash to buy their food stamps. They don't have to travel to the food stamp office, which could be a long way away, or go to the post office to buy their food stamps.

This option always existed for the recipients of the State aid programs for the aged, blind, and disabled, but it does not exist under SSI. It is possible that this is one factor why the percentage of SSI recipients who are getting food stamps clearly appears to be lower than the percentage of recipients of the State programs for the aged, blind, and disabled who got food stamps 1 year ago, and this is a very important point to keep in mind for the future.

It's for all of these reasons that I really think there is no way that Congress can devise an SSI food stamp kind of option that is not going to leave out the majority of SSI recipients, if Congress is going to go take the food stamp eligibility route.

Right now, food prices are rising and the SSI benefit is below the poverty line. Aged, blind, and disabled people need food assistance. It's my strong feeling that the only way to provide this food aid is through cash or through what is known as a "cash-out approach" to the food stamp/SSI question.

Now, I do want to make a point here very quickly, and that is that I do not support simply any cash-out option. There are a variety of cash-out options—and some of them would be far worse than our present food stamp/SSI arrangement. However, I think the best approach to this question is a fair, equitable cash out that provides a cash out to all SSI recipients in all States.

I do want to emphasize that the cash out must be drawn very carefully and very properly. Last October, the administration proposed a cash-out provision which frankly would have been disastrous. This proposal which went to the Ways and Means Committee last October would have cashed out only recipients in States that had moderate or high State payments in the past, and in addition, would only have cashed out those recipients who were actually in the Food Stamp program in December of 1973, those aged, blind, and disabled persons

who were transferred to SSI who were also getting food stamps, in December of 1973. So what this administration proposal would actually have done would have been to cash out about one-half of the recipients in slightly more than half the States.

Now, clearly this kind of proposal is unacceptable. It is not really a true cash out, and the present food stamp/SSI arrangement is much better than any sort of cashout like that.

What I am suggesting is a cash out that covers all States. In States like Wyoming, for instance, where there is not a State supplement, recipients are now eligible for \$146 a month plus food stamps. Regardless of what the State payment level had been before SSI took effect, if there is a cash out, people in Wyoming should be cashed out.

The cash out must apply to every State, and it must apply to all recipients. Today, there are people who were not in the old State program but who have been in SSI for 6 months and have been getting food stamps. They must be cashed out.

CASH-OUT FORMULA NEEDS UPDATING

One other aspect of the cash out is that the cash-out formula should be updated. The present cash-out formula comes from H.R. 1. As we know, H.R. 1 was enacted nearly 2 years ago, and the bill provides for an average cash out based on January 1972 food stamp bonuses.

Now, food prices have soared since January 1972. The average food stamp bonuses are up somewhat. If Congress enacts a change to a cash out for all SSI recipients, it should stipulate that the cash out is based on an average food stamp bonus as of the month of the conversion from food stamps to cash, not on the January 1972 basis.

That's very important. Otherwise, benefits will be lost.

I would just like to comment briefly on two other proposals for dealing with food stamp/SSI problems. The committee had asked me to briefly address these. One is the administration's current proposal that was submitted, I believe, by Senator Curtis earlier this month. It is a provision which would make SSI recipients eligible for food stamps on a nonpublic assistance basis only. I believe this proposal is unacceptable.

At present, SSI recipients are eligible for food stamps, as were recipients of the old State aid programs in the past, as are AFDC recipients, on what is known as a public assistance basis. That means they're eligible for food stamps without regard to income and resources.

If you switch to a program which makes them eligible on a nonpublic assistance basis, in which you use the USDA income and resource tests which in the past have been applied only to nonwelfare households, if you now apply these to SSI recipients, what happens is that in a number of States you find that the SSI benefit plus the State supplement is above the food stamp income limit that USDA has established for nonwelfare household. As a result, if you were to convert SSI's to this nonpublic assistance basis for determining food stamp eligibility, you would find that in at least 17 States, one or more major categories of SSI recipients would be over this limit because of the State supplement and would therefore become, in many cases, ineligible for food stamps.

SOME FARE WORSE UNDER SSI

As a result, these people would be worse off than before SSI began—for under the State aid programs they got a certain level of income and they were also eligible for food stamps. Now they would in many cases receive the same level of income but lose their food stamp eligibility. They would have the same amount of dollars as back in December of 1973, but they wouldn't have food stamps.

This problem would also affect a small number of SSI recipients in States that are not among the 17, such as, for example, your State, Senator. In many States, there are some people who in the past got "special needs" payments. They had especially great needs, they had particularly high expenses for dealing with their disability, they needed special diets, something of this sort, and the States had given them a special needs payment.

Now the SSI mandatory supplement provision provides that SSI recipients be maintained at least at the payment levels they were receiving in the past under the State aid programs, even if the State is not otherwise supplementing most of its SSI recipients.

What this means is that in many of these States, the majority of States, there are some number of recipients who are being supplemented to a level that is somewhat above the nonpublic assistance food stamp income limit set by USDA, and under the administration's proposal they, too, would lose food stamp eligibility. They, too, would be worse off than they were before SSI took effect, and there are some of these people in nearly every State.

I really don't think this is what the Congress intended. The mandatory supplement provision makes this clear. It doesn't intend for people to be worse off than they were before.

One other quick comment on one other proposal, and that is the food stamp/SSI provision contained in H.R. 3153, a bill that passed the Senate last year. I think this provision that's in H.R. 3153 has the same problems as the administration's proposal.

The provision in H.R. 3153 makes SSI recipients eligible for food stamps, but it doesn't specify whether this should be on a public assistance or nonpublic assistance basis. Since this is not specified in H.R. 3153, this issue would be left up to the USDA to decide through its regulations.

USDA has clearly indicated that it wants to go the nonpublic assistance route, and this is what its regulations would probably do. As a result, enactment of this provision would really be tantamount to enacting the administration proposal.

Once again, many recipients in 17 States, and some recipients in nearly all other States, would lose food stamp eligibility, and would be worse off than before.

There's one additional aspect of H.R. 3153 that's very damaging. It would eliminate the cash-out option in the five current cash-out States. Now if the cash-out option were eliminated in these five States, SSI payments would be cut for every person in these States by \$10 a month, unless the States chose to provide the \$10 a month out of their own money—which is not likely.

If the USDA made these people eligible for food stamps on a nonpublic assistance basis, they would still be over the food stamp income

limit, even after they had lost the \$10 per month. As a result, under this provision, people in New York, California, Nevada, Massachusetts, and Wisconsin, would lose \$10 a month in cash, and in most cases they would get food stamps in return.

Even if the regulations made these people eligible for food stamps on a public assistance basis, over half of them wouldn't come into the Food Stamp program.

That's what the figures have shown. Over half the people in SSI are not in food stamps, so over half of these people would probably lose their \$10 a month and not get anything in return.

There are nearly 1 million SSI recipients in the five cash-out States. I think Congress can imagine the outcry if on July 1, 1975, 1 million aged, blind, and disabled recipients have their welfare checks cut by \$10, and to recoup that benefit must go to already overworked food stamp offices and apply for food stamps, where many might find themselves declared ineligible for food stamps. Finally, we should remember that applying for food stamps is cumbersome, that we're making these people go through two procedural mazes instead of one. I think the answer is a cash out that covers all recipients in all States and uses the cash-out figure based on current food stamp bonuses, not those from January 1972.

Thank you.

Senator HANSEN. Thank you very much, Mr. Greenstein. I did have some questions. But you anticipated each of them, so I shall not ask any at this time.

I observed that there is a live quorum in progress, and I think it's reasonable to anticipate that there will be a rollcall vote coming up. If we have a rollcall, of course I'll have to leave here, in which case I don't know how we might want to proceed.

Possibly, in order that we might continue hearing from those witnesses who have come here, perhaps someone on the staff could carry right on.

[The prepared statement of Mr. Greenstein follows:]

PREPARED STATEMENT OF ROBERT GREENSTEIN

I am Robert Greenstein, from the Community Nutrition Institute in Washington, D.C. The Community Nutrition Institute is a private, non-profit organization that has worked since 1970 to combat hunger and malnutrition in this country through improved and expanded food assistance programs. In recent months, we have been especially involved in efforts to inform recipients of the Supplemental Security Income program of their eligibility for food stamps.

I am here today to discuss what action Congress should take regarding the eligibility of SSI recipients for food stamps after June 30, 1975. (As you all know, the Congress last month passed a measure that extends the food stamp eligibility of SSI recipients in all but five "cash-out" states until June 30, 1975).

In considering possible solutions to the SSI/food stamp question, one basic fact must first be considered: The food stamp program is failing badly to reach aged, blind, and disabled SSI recipients who are eligible for and need federal food aid.

On May 30, 1973, HEW Undersecretary Frank Carlucci told the Senate Select Committee on Nutrition and Human Needs:

"The participation rate for current recipients of the adult assistance program is low. Of the recipients in the three categories—aged, blind, and disabled—18 percent receive commodities and 28 percent participate in the Food Stamp Program, although all are automatically eligible as public assistance recipients."

Today, 6½ months after the beginning of the SSI Program, this situation has not changed. The U.S. Department of Agriculture reports that the number of public assistance recipients receiving food stamps in May, 1974 was 170,000 less

than it had been in May, 1973 when Mr. Carlucci spoke, even though 900,000 persons switched from the commodity program to the food stamp program during this period, and several hundred thousand new persons entered the SSI program.¹

There are several basic reasons why so few of the aged, blind, and disabled use food stamps, and nearly all of these reasons can be altered only by a radical overhaul of the food stamp program—which is not about to happen. These reasons are:

1. Aged, blind and disabled SSI recipients must put up moderately sizeable amounts of their income in lump sums each month to buy food stamps.

2. Many aged, blind, and disabled persons are too proud to use food stamps. Many dislike being publicly labeled as welfare recipients when they use food stamps at grocery stores. This is especially true in small towns, where, often it is common knowledge who is on food stamps.

3. To become certified to receive food stamps in most areas, SSI recipients must go through a lengthy and tiresome procedural maze. They must go to local food stamp offices and wait in line for up to 8 hours. A recent publication by the Senate Nutrition Committee entitled "Food Program Technical Amendments" documents that persons in some cities begin lining up in front of food stamp offices at 5 a.m., and that sometimes persons arriving at 7 a.m. find they are too late and must come back again the next morning. For the aged, blind and disabled, these long waits can pose a serious hardship.

When a food stamp applicant finally gets to see a certification worker, the journey through the maze continues. Applicants must have proof of income, rent and utility receipts, proof of medical expenses, etc. For persons who are not familiar with the intricacies of the food stamp program, this may appear difficult and confusing. Many applicants find they must return home, collect various documents, and come back to the food stamp office on another day, at which time they may have to wait in line again. Some applicants drop out on the way.

Nor is a journey through this maze a "one-time only" experience. Most recipients are certified for food stamps for only three month periods. Each three months they must return again to food stamp offices, again produce documents and receipts, and go through the same inconvenient, tiring, and to some, humiliating procedure.

In addition, there is an additional burden placed on SSI recipients in many rural areas. In a great number of rural counties, there is only one certification point per county and virtually no rural transportation system.

4. Many SSI recipients are not aware of their eligibility for food stamps. As far as we know, Social Security district offices are presently doing little to inform SSI recipients that they are eligible for food stamps or to refer recipients to local food stamp offices. I will return to this matter in a few minutes.

In addition to these four reasons, let me add a fifth very important point: it is now considerably harder for some persons who are SSI recipients to enroll and remain in the food stamp program than it was when these same people were enrolled in state aid programs before SSI began. This is because what is known as the "public assistance withholding" method of distributing food stamps is no longer available to SSI recipients. In the past, a number of states allowed aged, blind, and disabled persons the option of having their food stamp purchase prices withheld from their welfare checks, with their food stamps then being sent to them in the mail. Under SSI, however, this practice has ended. SSI recipients must now travel to food stamp issuance points to buy their stamps. In some banks and post offices selling food stamps, recipients must stand in special "food stamp lines." In addition, recipients must now be able to put their hands on the substantial lump sums of cash necessary to purchase the stamps. For many aged, blind, and disabled who do not get around easily and are not comfortable carrying large sums of cash, the loss of the "public assistance withholding" option may represent a substantial burden, and may operate as a strong disincentive to join or to remain in the food stamp program.

THE CASH-OUT ALTERNATIVE

I have recited these facts to emphasize that although SSI recipients are eligible for food assistance and need this assistance to enable them to purchase nutritionally adequate diets, food stamps are not the way to provide this

¹These factors should have more than balanced out the several hundred thousand SSI recipients who were cashed-out of the food stamp program.

assistance. The only way to provide this assistance is through cash. If we continue to use food stamps rather than cash for this population group, we will continue to fail to reach the majority of this group with any food benefit at all.

I thus strongly favor replacing food stamp eligibility for SSI recipients with a cash-out that will reach all SSI recipients. Such a cash-out would have three distinct advantages:

1. It would no longer leave out the majority of recipients presently receiving no food benefit.
2. It would entail that recipients undergo certification and recertification for only one program instead of two.
3. The administrative overhead would be lower.

Let me hasten to add, however, that I definitely do not favor any cash-out proposal. Some cash-out proposals that have been offered would be disastrous, and far worse than our present SSI/food stamp arrangement. Continued food stamp eligibility is a superior option unless the cash-out provisions are drawn properly and carefully so that all SSI recipients realize true benefits.

Let me give an example why such great caution must be taken in handling various cash-out plans. Last October, the Nixon Administration offered a cash-out amendment that would have ended food stamp eligibility for all SSI's, but would have provided cash only to those SSI recipients who (1) resided in states that had a medium or high level state welfare payment before SSI began, and (2) had actually received food stamps in December, 1973. In other words, this amendment would have cashed out less than half of the recipients in only slightly more than half of the states. And since those recipients who were cashed out would die or become otherwise ineligible over time, while no new SSI recipients would be eligible for the cash-out, after a number of years virtually no SSI recipients would have either cash or stamps.

Cash-out proposals such as this must surely be rejected. No cash-out plan can be considered acceptable if it does not cover all SSI recipients who are eligible for food stamps, and if it does not include new and future SSI recipients as well as "transferred" recipients. Moreover, recipients in states without state supplements—who are now receiving \$146 a month and are also eligible for food stamps—should be cashed out just as recipients in states with state supplements should be.

In addition, the formula for determining the dollar amount of the cash-out benefit should be revised because the present formula is sadly out of date. The present formula is based on an average food stamp bonus back in January, 1972, before the recent food price surge. This formula provides a cash-out of \$10 a month to individuals and \$20 a month to couples. Today, SSI recipients qualify for food stamp bonuses of \$10 to \$16 or more for individuals depending upon the level of their state supplement, if any, and the number and size of deductions to which they may be entitled. For couples, the bonus range is \$20 to \$26 or more. Therefore, the value of the cash-out should be refigured, and should be based on average food stamp bonuses at the time of the conversion from food stamps to cash rather than on January, 1972 data.

An alternative method for updating the amount of the cash-out payment would be to allow cash-out levels to vary from state to state, according to the size of the average food stamp bonus in each state. In states like Mississippi, Louisiana, and Arkansas, for example, individual SSI recipients currently qualify for at least a \$16 food stamp bonus and their cash-out could be at least \$16.

One further aspect of the cash-out—if a cash-out is implemented, the cash-out benefit should not be permitted to remain stagnant over time if food and other costs continue to rise sharply. This issue could be resolved simply and equitably by requiring that the entire SSI cash payment (including state supplements) be regularly adjusted to keep pace with inflation.

COMMENTS ON OTHER SSI/FOOD STAMP PROPOSALS

I would now like to turn my attention to two other proposals for dealing with the food stamp/SSI question—the proposal submitted by the Administration and the proposal contained in the Senate version of H.R. 3153, which was approved by the Senate last year.

The Administration's current proposal—to make SSI recipients eligible for food stamps on a non-public assistance basis—must be rejected. It is perhaps as faulty as the very limited cash-out proposed by the Administration last October. The proposal is unacceptable because:

1. The proposal fails to help the majority of SSI recipients who, although eligible for food stamps, are not in the food stamp program.

2. Non-public assistance application forms for food stamps are generally far longer and more complicated (up to 8 pages) than public assistance application forms.

3. *Most important:* The proposal would terminate food stamp eligibility—while giving no cash in return—for at least several hundred thousand SSI recipients who currently receive food stamps. These recipients are people whose combined federal and state SSI payments place them above the food stamp income limits which have been set by USDA and have been applied up until now only to non-public assistance households (these limits are now \$194 a month for individuals, \$273 a month for couples). At present, SSI recipients in all non-cash-out states are eligible for food stamps—as are AFDC recipients—without regard to their level of income and resources.

At present, there are at least 17 states where SSI payments to one or more major categories of recipients amount to more than the food stamp income limits for non-public assistance households. These include a number of the most populous states in the country. If the Administration's proposal passes, many people in these states will be worse off than before SSI took effect last January. They will be getting the same amount of cash as before, but will have lost food stamp eligibility.

In addition, in many of the remaining states, there are small to moderate numbers of additional SSI recipients who would lose food stamp eligibility, and be worse off than before SSI took effect, if the Administration proposal is adopted. These are people who in the past received "special needs" payments from their states, in addition to the basic state welfare benefit. The special needs payments were made because of high rent costs, the need for special equipment because of physical disabilities, or other needs of aged, blind and disabled persons that could not be met by the state's basic welfare payment. Today, these special needs payments are in effect being continued in the form of mandatory state supplements. And these supplements place the income of some of these former "special needs" recipients in many states above the USDA food stamp income limits. Consequently, some of these people, too, may lose food stamp eligibility and be worse off than before under the Administration proposal.

I do not believe that that is what the Congress intends—to lower the benefits of large numbers of aged, blind and disabled persons because of the introduction of the SSI program. When one remembers that many of the elderly need special diets that cost more than a conventional diet, and that food prices are continuing to rise, I think it becomes clear that this is not the time to take food stamp benefits away from several hundred thousand elderly poor and give them no cash in return.

H.R. 3153

The SSI/food stamp provision in H.R. 3153 is subject to much of the same criticism as the Administration's proposal. H.R. 3153 would make SSI recipients eligible for SSI, but fails to specify whether they should be eligible on a public assistance or non-public assistance basis. This crucial determination would, therefore, be left up to USDA. Since USDA's preference on this issue has now been made clear, it is likely that USDA would write regulations to enforce H.R. 3153 that would make SSI recipients eligible for food stamps only on a non-public assistance basis. Hence, enacting the food stamp provision of H.R. 3153 could well be tantamount to enacting the Administration's proposal.

In addition, H.R. 3153 would end the cash-out option in the five cash-out states after June 30, 1975. In these states, recipients would lose \$10 a month in cash (unless the States chose to provide the \$10 a month out of their own money). But in most cases, the recipients would not get food stamp eligibility instead because they would be above USDA's food stamp income limits for non-public assistance households. They would lose \$10 a month and get nothing in return, and be worse off than before SSI started.

Even if USDA interpreted H.R. 3153 to allow SSI recipients to continue to be eligible for food stamps on a public assistance basis, over half of the recipients in these five states would still get nothing in return for their lost \$10 because they would not enroll and stay in the food stamp program.

H.R. 3153 could thus be nothing short of disastrous for the nearly one million SSI recipients in New York, California, Massachusetts, Wisconsin, and Nevada. Members of this committee can imagine the volume of protest that will result if on July 1 next year, nearly one million people have their SSI checks cut back by \$10.

(I might add that H.R. 15124 signed into law last week, gives about 90,000 recipients in New York and California their full \$10 monthly cash-out for the

first time. It is hardly the time to turn around and take their \$10 away less than one year later, and to tell these people to join the long lines at overburdened food stamp offices if they wish to continue receiving a benefit).

THE PRESENT SSI/FOOD STAMP ARRANGEMENT

As a final note on this topic, let me say that if a complete cash-out, covering all SSI recipients, is not enacted, I would favor an indefinite continuation of the SSI/food stamp arrangement that has been in effect since January 1.² SSI recipients in all states now have either food stamp eligibility or a cash-out. This is far preferable to either H.R. 3153 or the Administration's bill. Nevertheless, a true cash-out, covering all recipients and all states, is by far the best, fairest, most equitable solution.

NOTIFICATION OF FOOD STAMP ELIGIBILITY

There is one other matter I would like to discuss. This is the question of notifying SSI recipients in all but the five cash-out states that they are and will be eligible for food stamps at least until June 30.

In past years, state and local welfare offices generally told recipients of state aid programs for the aged, blind and disabled of their food stamp eligibility. Since January 1, however, it appears that the Social Security Administration has done little to refer SSI recipients to food stamp offices. In addition, USDA had not developed any food stamp outreach materials aimed at SSI recipients, and state and county welfare departments have done very little outreach on this matter.³ Yet new SSI recipients, who were not enrolled in the old state welfare programs and may not have heard about food stamps in the past, need to be informed that they are now eligible for food stamps.

For this reason, we at the Community Nutrition Institute this winter designed a flyer for recipients and an instruction sheet for outreach workers—at our own expense and as a public service—to inform SSI recipients of their eligibility for food stamps. The flyer and instruction sheet were approved by USDA, and were prepared for use in the SSI Alert, so that "Alert" volunteers could distribute the flyers across the country along with other material on SSI.

Officials of the Administration on Aging (AoA) initially indicated interest in printing enough fliers so that 1,000 could be sent to each SSI Alert, and so that the flyers could also be sent to Title VII elderly funding programs. I am sorry to report, however, that AoA did not follow through adequately on this issue, apparently for budgetary reasons. Only 63,000 flyers were printed—100 for each SSI Alert and only 2 for each elderly nutrition program. As a result, many persons contacted in recent months by the SSI Alert, and nearly all Title VII participants, have probably never received the flyer. I hope this matter can be reopened. I believe that the cost of printing the flyers is less than \$1,000 for each 100,000 printed.

The issue has become particularly important in the past few weeks because the Social Security Administration has, at long last, agreed to distribute flyers on food stamps through its Social Security district offices, if another agency will do the printing (SSA says it is legally prohibited from paying for the printing, itself). The SSA district offices are clearly the single most important mechanism for letting SSI recipients know about food stamps. Recipients and new applicants come in contact with these offices to a considerable degree. So we must find a way to get ample quantities of informative food stamp materials to the SSA district offices as soon as possible.

To date, no government agency has expressed any eagerness to print these materials. One USDA official told me earlier this month that USDA has not considered any action in this area. The official said that the most USDA would probably consider would be to supply SSA with some of its basic food stamp

² One modification that could improve the present arrangement would be a provision allowing any state now with food stamp eligibility to decide to switch to the cash-out at any time. In addition, it would be desirable to update the cashout formula so that it reflects current average food stamp bonuses, not those in use in January 1972.

³ State and county welfare departments have done little food stamp outreach of any sort. In January, 1971, Congress enacted a provision requiring states to undertake effective food stamp outreach, and directing USDA to reimburse states for 62.5 percent of state and county outreach costs. In all of fiscal 1973, however, USDA's share of state and local outreach costs for the entire country came to only \$80,000. Over 30 states failed to spend a penny of federal funds for outreach, a factor in part due to USDA regulations that discourage major outreach activity. This situation remained largely unchanged through FY 1974.

information sheets. However, these sheets are complex and full of information not applicable to most SSI recipients, and more important, they are not geared to the specific situation of SSI recipients in relation to food stamps.

Even if USDA supplied these materials in sufficient quantity, which seems unlikely, they would probably not be terribly useful. Moreover, it would probably take several months for USDA to take even this limited action.

I would therefore like to ask this Committee, which has shown itself a leading advocate for the aged, to do what it can to see that some agency prints an effective flyer immediately and in sufficient quantity for SSA to use. We at the Community Nutrition Institute will be pleased to help in this matter in any way we can. We believe that if effective materials are sent to the SSA district offices, and if these offices give the materials to SSI recipients and begin systematically to refer recipients to food stamp offices, thousands of SSI recipients will actually enroll in the food stamp program for the first time.

PROPER NOTIFICATION OF CHANGES IN THE SSI PROGRAM

One final note: one matter that has been disturbing about the SSI program, and about the SSI/food stamp issue, has been the failure on several occasions to give recipients adequate, advance explanations of impending changes. Last month, for example, a number of states notified SSI recipients that their food stamp benefits would expire on June 30. It is true that after Congress passed H.R. 15124, recipients in these states were sent their July "authorization-to-purchase" cards for food stamps. However, these people were, in general, not sent any explanation that their eligibility for food stamps had been continued for at least one more year. I am sure there are confused SSI recipients in a number of these states. Some small number may even fail to use their July ATP card, or fail to come to food stamp offices for recertification when their current certification period ends, out of the belief that their eligibility for the program has indeed ended.

In the future, we must find better ways, in all aspects of the SSI program, to inform people of what is happening or about to happen to them because of changes in government policy. The several million aged, blind, and disabled persons in this program deserve at least this much.

Senator HANSEN. May we next hear from the Right Reverend Charles J. Fahey.

STATEMENT OF MSGR. CHARLES J. FAHEY, PRESIDENT-ELECT, AMERICAN ASSOCIATION OF HOMES FOR THE AGING

Mr. FAHEY. Yes. I am Rev. Msgr. Charles Fahey, and I will paraphrase the statement* that I have, but I do hope the brevity of my remarks will in no way be construed to minimize the importance of the particular technical area that I bring to your attention.

It is an area that has already been brought to your attention by a number of witnesses and we are grateful to see that others other than we who are involved in the institutional field have noted this.

I refer to section 1612(a) (2) (A). This section stipulates that in-cash or in-kind elements that are available to the persons will be taken into account for the eligibility of the SSI recipient.

The net effect of the way this is being interpreted is to develop the inequitable situation whereby the charitable contribution represented in the various homes for the aged throughout the United States, is actually rendering many aged persons ineligible for SSI benefits, and of course, also for the Medicaid tag-along that goes with this in so many States. The present interpretation of the Social Security Administration is creating an injustice in regard to income and actually denying potential recipients the freedom to choose a philanthropic home. It creates a disincentive for the private philanthropist to actually

*See prepared statement, p. 742.

be involved in the donation of cash to support these facilities, a disincentive to the development of these facilities, and an incentive to the development of proprietary facilities throughout the United States.

PRESENT LAW UNCLEAR

Inasmuch as the law is somewhat ambiguous in this area, and it is our understanding that a more liberal interpretation of the law could be developed through regulation, one more in tune with the intent of the Congress, we hope that the kind of advocacy that the Committee on Aging has already undertaken will be continued with the Social Security Administration, toward administrative relief in this regard. Hopefully, it will be retroactive to January 1 of this year.

Our statement is much more lengthy and gives a number of particularly gruesome results that we feel are unintended. You're all nice people in the Congress, and we know that you wouldn't want to effect this injustice on our elderly people, and we'll leave it with that.

Senator HANSEN. Thank you very much for an excellent statement, Father Fahey. As was earlier announced, your full statement will be included in the record, and we may very well have some questions to submit in writing.

Thank you immensely.

[The prepared statement of Father Fahey follows:]

PREPARED STATEMENT OF MSGR. CHARLES J. FAHEY

Mr. Chairman and Members of the Committee, my name is the Reverend Monsignor Charles Fahey. I am director of Catholic Charities of the Diocese of Syracuse, New York and president-elect of the American Association of Homes for the Aging. In behalf of the American Association of Homes for the Aging, I am pleased to have the opportunity to appear before you today as a member of this panel to discuss the Supplemental Security Income program.

As the witness for the national association representing non-profit homes for the aging, I wish to focus my remarks concerning the SSI program on a problem that many of our member institutions and their elderly residents have experienced since the programs' inception—a problem affecting particularly those elderly residing in non-profit, private retirement homes.

The problem in question stems directly from the Social Security Administration's interpretation of Section 1612(a)(2)(A) of Public Law 92-603. This Section defines income—both earned and unearned—which must be considered in computing an SSI recipient's benefit.

In defining income, Section 1612(a)(2)(A) states that unearned income includes support and maintenance furnished "in cash or kind" to an individual. In computing the amount of cash assistance to be granted to those residing in private, non-profit retirement institutions, SSA officials are counting charity and philanthropy as "in kind" income, the result being a reduction in such individuals' SSI payments. Simply stated, the difference between the cost per month per resident for room, board, and services and the amount the resident actually pays is to be considered as outside, unearned income for the purposes of computing SSI benefits.

Mr. Chairman, there can be no question that a recipient's income received directly or regularly from relatives, retirement, pensions, and so forth should be considered when determining the amount of cash assistance an individual should receive.

However, to consider indirect funds contributed as charity or philanthropy to the facility as a whole and which help to improve housing, food, and medical services to indigent older persons seems unreasonable. In fact, this policy has resulted in many individuals actually receiving *less* income than before January 1, 1974, when SSI went into effect, and it has substantially reduced the capacity of non-profit retirement institutions to care for these needy people.

Furthermore, as SSI eligibility affects Medicaid eligibility, many elderly are also losing health benefits as well.

To illustrate, let us take as an example a non-profit home for the aging whose actual cost of providing services is approximately \$300 per month per person. Prior to January 1, 1974, the indigent residents of this institution were receiving \$133 per month in public assistance payments. These payments were going directly to the public aid recipients who would retain \$20 for personal spending and then turn over the balance, or \$113, to the institution as their contribution toward their room, board, and services.

The difference between the cost per month of maintaining such individuals and their contribution—\$300 less \$113—is \$187. Because this amount exceeds the SSI standard of need, or \$146 per month, the person previously receiving \$133 in public assistance now receives nothing, not even a personal needs allowance. Moreover, the capacity of the non-profit retirement institution to care for the poor aged is substantially inhibited.

I cannot overstate to you the critical nature of this problem. All that is necessary is for you to read some of the letters concerning the Supplemental Security Income program that have been received by our association over the past months.

California, our largest state with 169 member facilities, has been extremely hard hit as a result of SSA's interpretation of unearned income. Howard Washburn, president of Pacific Homes, aptly describes the severity of the situation in a letter to Sumner Whittier, director of SSI. Mr. Washburn states, "Why residents of non-profit retirement homes should be singled out for this treatment is beyond comprehension. If the cost of residential care in a non-profit home exceeds the maximum permitted under the state's implementation of SSI, as it does in most homes, all SSI payments will be lost to the indigent resident and his income will be reduced to Social Security only. The home then will be faced with either subsidizing the entire difference between Social Security payments and the cost of care, or requiring the indigent resident to leave the home. While most homes would subsidize rather than eject a resident, they would be forced by financial realities to greatly reduce the number of indigent residents they admit or close their doors."

Mr. Paul Rosenthal of the Jewish Home for the Aged of Los Angeles echoes the thoughts expressed by Howard Washburn. "Remove the government support as interpreted in Section 6070B of the SSI Handbook," says Mr. Rosenthal, "and most (homes) will have to cease operations due to lack of funds. This unrealistic reduction of operating funds cannot be replaced by the community, who now are supporting to the maximum of their ability. In fact, such restriction of funds must either force the non-profit home to reduce services . . . or force the non-profit home to close its doors."

These are two examples, Mr. Chairman, which explicitly illustrate the adverse effects being felt by those elderly residing in non-profit, private retirement homes, and in turn, by the homes themselves as a result of counting charity or philanthropy as "in kind" income. I could go on—letters from Pennsylvania, Texas, New York, and many other states express the same concern felt by our member homes.

We believe that in enacting the Supplemental Security Income program, the Congress did not intend that an aged person's personal needs allowance should be reduced or that the capacity of non-profit, charitable institutions to care for indigent persons should be diminished. Unfortunately, this has been the effect of the law as currently administered.

Given the fact that the present policy is having a disastrous effect upon non-profit homes for the aging and the indigent elderly they seek to serve, the American Association of Homes for the Aging has requested a less restrictive interpretation of Section 1612 on a retroactive basis, so that the losses which have already been incurred since January can be restored. We solicit your support, Mr. Chairman, and the support of the members of the Committee toward this objective.

Mr. Chairman, I very much appreciate this opportunity to testify before you. At this time I welcome any questions that you or Members of the Committee might have.

Thank you.

Senator HANSEN. Next we will hear from Mr. Ossofsky, the executive director of the National Council on the Aging.

STATEMENT OF JACK OSSOFSKY, EXECUTIVE DIRECTOR,
NATIONAL COUNCIL ON AGING

Mr. OSSOFSKY. Thank you very much, Senator.

We have submitted a statement for the record,* and I will try to be brief in summarizing some of its highlights.

May I say at the outset that I have had the privilege of hearing this afternoon the excellent testimony of a sister organization in the field, the National Association of Retired Persons. I would just like to underscore our concurrence in the major points that they made.

We may differ on nuisance here and there, but the basic thrust of their testimony here today regarding the inadequacies and the problems of SSI have our general concurrence and we certainly want to be publicly noted as supporting that effort.

We've been asked to put our emphasis this afternoon on the relationship between social services and SSI. More accurately, the lack of relationship between social services previously provided these recipients of old-age assistance when they were operated by the States, and what has happened since the SSI program became a Federal operation.

We had several hopes in the achievement of SSI. One was that the States would use the resources that were previously allocated to processing claims to provide needed services, and that this would mean that those persons who are now receiving SSI benefits would be in a position to see their human needs and social needs met beyond cash payments by a more extensive program as outlined, for example, by title VI of the Social Security Act.

That act, just to remind us, mandates some very specific services including those for the elderly—information and referral, protective services, supportive services, homemaker services, in addition to services to enable people to remain in their own homes or return to their own homes.

The fact of the matter is that as the program became operative under the Social Security Administration and as people went to the local Social Security offices to apply for SSI benefits, it soon became evident that there was no clearcut relationship between the provision of the cash benefits that people were entitled to and the other social services they needed.

For the past 25 years our agency has emphasized the need to improve the economic status of older people. We have, however, emphasized that cash is not enough, that even if people were suddenly to receive an adequate minimum income, it would not mean that all of their human needs and social service needs would be adequately taken care of.

ADEQUATE EMERGENCY ASSISTANCE LACKING

Specifically, in addition to the fact that there is no organized relationship between providing social services and other special needs, there is also a lack in the SSI program of adequate emergency assistance provisions to meet special needs, and of a discontinuity of referral and delivery of the human services that I spoke of earlier.

We spell out some specific examples of this in our testimony—I won't take the time to do that now. However, we do recommend that

*See p. 746.

legislation be enacted authorizing the Secretary of HEW to provide a permanent mechanism for ongoing emergency assistance as often as is needed.

Even today, when the Department has permitted an emergency payment in cases where the first check has been delayed, if there is a change in the check or a holdup in the check, indeed, a holdup where the check's been robbed, the State offices are not, in most instances, in a position to meet that need. They don't know these people. And the Social Security office has no provisions for meeting that emergency.

Second, there are the special needs. There's got to be some mechanism that takes into account a person's need for a new overcoat, or a person's problem with a stove or a refrigerator that doesn't work, or when someone needs suddenly new medication, or something of that sort. None of these emergency needs are now provided by the basic SSI approach. These are human issues that get exceedingly important in the day-to-day lives of older people, who are the vulnerable group that we are talking of here.

We ask therefore that provisions of special needs be mandated, whether on the Federal or State levels, to insure clearcut responsibility and accountability for the delivery of these services.

What needs to be developed is a very significant linkage between the Federal income maintenance program, administered by the Social Security Administration, and the social service programs that by and large need to be more vigorously administered by the State social service departments.

Let me emphasize that we're dealing with two groups of clients here—those people who are enrolled in the program who were previously old-age assistance recipients and therefore know how to go about getting aid and those people who have never been signed up with SSI, with no past history of the welfare department. Our experience shows, and we have some documentary evidence which is included in the testimony, that no specific approach for those needs is being made in Social Security offices across the country. Yes, there are examples where these needs are being met. Yes, there are forms that have been provided to make those referrals, but no comprehensive system of integrated social services and human needs programs have been developed in this program.

It seems logical to us that one agency needs to be designated to document the necessary particulars and information and that this information should be shared with other agencies that could provide the service.

Let me summarize one or two other brief points.

IN-DEPTH COUNSELING NEEDED

An adequate information and referral service needs to include in-depth counseling to determine needs, personal contact to insure proper referral to client service deliverers, and finally, some followup to make sure that a person who has been referred to an agency gets through the door of that particular agency, and indeed, is well received.

We strongly recommend that in each Social Security office a person be given the responsibility and be trained to handle the program of information referral and community needs.

This situation could very well be dealt with by outstationing people from a social service office at the county or State organizations. Another plan would be adequate funding for title IX of the Older Americans Act, to train and employ older persons who, our experiences have shown under the title IX program, work well in doing information referral and followup work.

Indeed, if we put adequate resources into title IX of the Older Americans Act, place people in Social Security offices throughout the country, give them special training, we might very well coalesce several programs and meet some significant needs, not the least of which is putting some money into the pockets of people who might not otherwise need to apply for SSI benefits.

There are many weaknesses in the SSI program, some of which have been referred to in other aspects of the hearings. At the very least, we've got to do something to be sure that when increases in Social Security take place that those people who are receiving SSI benefits do not suddenly find themselves in a worse position and lose benefits.

There has been reference made to the business of protecting those people in the instance of cashing out of food stamps.

One last item. We received a letter not long ago from an older person living in New York City who brought to our attention something that I'm sure was not intended by the Senate when it enacted the SSI program. This refers to the fact that when an older person is hospitalized or institutionalized for a period of 30 days or more, the SSI payment is reduced to \$25 for that month.

What this causes to happen for a person who may be institutionalized for several months—and I must say SSI has interpreted the law as liberally as possible within the current regulations—is the loss of money that the person needs while in an institution—not only for out-of-pocket expenses, for cigarettes or what have you, but also to pay the rent on an apartment to be able to return to after being institutionalized which a person may very well lose, because adequate resources have not been provided during the time of institutionalization.

Now, I can understand the logic or the apparent logic of reducing a payment on the assumption that food and other such expenses are being met while the person is institutionalized. However, the net result of this is to end up worsening the circumstances of the older person because we again have looked at the provision of these benefits in a way of dealing with judiciary and fiscal matters, rather than in the human surface matters that this really relates to.

Thank you very much, Senator.

Senator HANSEN. Thank you very much, Mr. Ossofsky. We appreciate your presentation.

[The prepared statement of Mr. Ossofsky follows:]

PREPARED STATEMENT OF JACK OSSOFSKY

Mr. Chairman, distinguished Members of the Senate Special Committee on Aging and fellow panelists. My name is Jack Ossofsky. I am Executive Director of the National Council on the Aging (NCOA), a private nonprofit organization which for the past twenty-four years has provided continuing leadership and training to public and private agencies at the national, state, and local levels in the field of aging. We have been a national resource for planning, information, and service in the many areas—such as nutrition, education and employment—affecting the lives of our nation's elderly population.

The National Council on the Aging welcomes this opportunity to appear before this Committee and convey the experiences of our membership and staff with the Supplemental Security Income (SSI) Program and Alert. NCOA recognizes that there are a number of serious problems relating to the level of income benefits provided under this program and to the process of enrolling eligible recipients. We understand, however, that other hearings have concentrated on these matters and, as requested, our observations and recommendations will focus on the relationship between SSI and social services.

NCOA has long supported changes in the Social Security program which would bring all elderly persons under the coverage of its social insurance system and end, once and for all, the inequities of Old Age Assistance (OAA). There was a need for uniform national eligibility requirements and a Federal "income floor" to eliminate the most glaring weaknesses of the old system. We, therefore, welcomed the passage of the 1972 Amendments to the Social Security Act which—besides making improvements in the retirement, survivor, disability and health insurance programs—established the SSI program.

We realized, however, that the federalization of the Old Age Assistance program was a complex process dependent for success on systematic preparation and cooperation by the Social Security Administration (SSA), the Administration on Aging (AoA), the Social Rehabilitation Service (SRS), the states' Departments of Social Services (DSS) and the private sector. "Operation: Medicare Alert", which NCOA conceived and administered in 1965, demonstrated that without an extensive and well-coordinated outreach effort, millions of isolated elderly poor in both urban and rural areas would never be aware of their eligibility for benefits under the new federal program. Therefore, during the months between passage and the effective date of the SSI program, NCOA encouraged the development of a similar outreach effort to inform an estimated 6 million individuals of their eligibility for benefits.

In April of this year, NCOA held regional meetings in New York, Des Moines, New Orleans and Los Angeles, during which a forum was provided for local consortia participants to discuss mutual problems and solutions with SSI officials. Drawing from this and other experiences of our members and staff in the field, we wish to take this opportunity to voice our continued full support for the basic concepts on which the SSI program is based, our disappointment in the minimal impact of the Alert and our concern over the lack of a coordinated relationship between SSI and social services.

It has long been NCOA's contention that an adequate income maintenance program would not alone meet the full needs of America's elderly poor. One of the major conclusions of Project FIND (a research and service program to locate America's elderly poor and identify their needs conducted by NCOA in the late 60's) was:

... that the elimination of poverty and its consequences cannot be achieved by money alone. If the income of all the elderly poor were immediately raised above the poverty level, many would soon be obliged to live in poor housing, exist in poor health without medical services, make do with poor transportation facilities or none at all, and have little social contact with family and friends.

We fear that SSI recipients may find themselves faced with such a dilemma. It is necessary that the elderly poor be made aware of, and provided with, essential human services. Unfortunately, this has not been the case.

Under Title VI of the Social Security Act the states are mandated to provide the following services; information and referral, protective, supportive and homemaker. In addition, services to enable persons to remain in or to return to their homes or communities must be provided. The relationship between the SSI program and these services, provided by state DSS to individuals at the local level, has never been adequately defined, nor uniformly interpreted at the local level. As a result, recipients are confused, often intimidated and, once again, left with unmet needs; the programs designed to serve them remain filled with gaps and duplications.

Until the basic issue is resolved, millions of elderly, disabled and blind persons will be faced with unnecessary hardships. The fundamental problems associated with the availability and delivery of social services to SSI recipients are:

The lack of adequate emergency assistance.

The absence of provisions to meet special needs.

The discontinuity in the referral to and the delivery of human services created by the conversion from OAA to SSI.

The problem causing the most immediate and often severe hardship for those already chronically disadvantaged was the failure to provide for emergency

situations or special needs under the SSI program. We therefore welcomed HEW's liberal interpretation of Section 1631(a)(4)(A) of the Act which allowed 3 million persons "grandfathered" into the new system to be eligible as "initial applicants" for emergency funds. However, it is important to point out to this Committee that the emergency provision can *only* be used when a person files for the first time; it does not cover the individual who has been getting his checks and then, all of a sudden, doesn't receive one—be it lost, stolen or misdirected. An undelivered check or a check arriving weeks late (oftentimes with an incorrect payment reduction) can result in severe anguish for those depending on that check for day-to-day survival. These people are faced with eviction or even potential starvation.

We recommend that legislation be enacted authorizing the Secretary of HEW to provide a permanent mechanism for on-going emergency assistance, as often as needed, effective within twenty-four hours of a recipient's application for such aid.

In addition to a lack of emergency assistance, special needs of SSI recipients are no longer being met under the federal program. What happens now if a recipient breaks or loses his eyeglasses, has his room/apartment burglarized, has a refrigerator, stove, furnace or hot water heater which needs replacement or major repairs? Who now insures that eviction and utility cut-offs will not result from emergency hospitalization? None of these, nor other special emergency needs, are provided for under SSI.

It is necessary that the provision of such special needs be mandated, whether on the federal level (SSA and SRS) or the state level (DSS), ensuring clear-cut responsibility and accountability.

The major long-range problem related to the delivery of supportive services to SSI recipients is the lack of any adequate linkage between the federal income maintenance program administered by SSA and the continuing responsibility of the state DSS to provide social services. Under the old system, when an individual applied for Old Age Assistance, a determination was also made of his supportive service needs and appropriate referral to available community resources provided. As this Committee is aware, there are two types of elderly, blind and disabled claimants for SSI benefits: those who previously received Old Age Assistance and concurrently were informed of available human services and those new recipients aware only of income benefits.

Since SSA is mandated to provide only income support, the potential new recipient applying for SSI no longer receives counseling on service needs nor referral to appropriate existing resources. As a result, the elderly, blind and disabled must find out about services on their own. If they are lucky enough to locate the appropriate agency, they are still forced to go from office to office in order to receive those services. As you know from your hearings on transportation and mobility, the elderly and the disabled find it very difficult to travel from one agency to another. For the most part they will have to fill out forms and answer personal questions during the intake interviews at each agency. It is a demeaning process indeed and oftentimes results in the older person "giving up" in frustration and despair. Not only is the present system offensive, duplicative, inconvenient and often intimidating, but it is also inevitable that many elderly get lost in the shuffle.

It seems logical to NCOA that one agency be designated to document the necessary particulars and the information then utilized by all agencies.

The following report from our Philadelphia regional office demonstrates the single-minded attitude of SSA and the resulting hardship to the older person:

Mrs. M. B., an 80-year-old woman went with her daughter to apply for SSI. At the SSA office, she was only told how much her monthly check would be from the federal government. No mention was made of the State Supplement. Mrs. M. B. has diabetes and glaucoma, requiring daily insulin injections. Her daughter, having heard something about medical benefits, asked about such assistance. The claims representative replied that SSA has nothing to do with medicine or medical benefits. He did not bother to tell her that she would receive Medicaid automatically as part of the SSI package.

Mrs. M. B. was not referred to the Department of Social Services.

Mrs. M. B.'s problem was fortunately solved through the intervention and assistance of the Philadelphia Corporation for the Aging, conducting the local SSI Alert program. But what would have happened to her had her daughter not been aware of the Alert or of her mother's eligibility for "some sort of medical assistance"?

A social service referral form has been made available to SSA offices, but has not resulted in adequate referral to DSS. Even if this form is correctly completed and sent to a county welfare office, there is no follow-up procedure to insure that the individual ever receives the required service.

At a briefing session on the new SSI program in the Philadelphia region, the SSA district office manager was asked how this social service referral form was used. He replied, "If a person *asks* them about services, they will make a referral, or if a person appears to be in 'dire need' the referral will be made."

What happens then to the older person who does not know enough to "ask"; and how, indeed, does a clerk define "dire need"?

An adequate information and referral system should incorporate the following procedures:

Indepth counseling to determine needs.

Personal contact to insure proper referral of client to service deliverer.

Follow-up with both client and DSS to ascertain whether required service was delivered.

It is essential that the initial intake application for income benefits and a determination of social service needs be made in one office. Our overall contacts with those who serve the elderly, as well as with the elderly themselves, clearly indicate the need for a clearinghouse of public assistance programs. Only in this way can accurate and definite information be obtained. During the SSI Alert, many such information and referral problems were handled through the SSI Hotline workers, but in most communities this resource no longer exists.

To remedy this situation, we strongly recommend that a person trained in determining needs and knowledgeable in available community resources staff each local SSA office. This placement can be accomplished by outstationing staff from the county welfare office in SSA offices. Yet another solution or supplementary plan would be the hiring and training of older people themselves to serve in this capacity—under an expanded Title IX program.

This fragmentation of service delivery has long been a problem in our social welfare system for the elderly. In NCOA's final report on Project FIND published in 1969, it was recommended "that the Social Security offices become the one central point of referral for persons with problems of financial aid and medical assistance under both Social Security and public welfare. Sharing office space [SSA and DSS] could be a step in this direction." The implementation of the SSI program presents us with an ideal opportunity to finally respond to this long-standing, and oft demonstrated, service need.

In concluding this point, I should like to emphasize to this Committee that a major objective of federalizing Old Age Assistance was to enhance the capacity of state DSS to provide human services. By eliminating from their functions the time-consuming process of determining income eligibility, county welfare agencies could, theoretically, devote full time to service delivery. Our contacts in the field indicate that in reality this has not occurred.

What then has been happening? To what extent are the services mandated under Title VI made available and utilized? Are caseworkers in county welfare offices indeed devoting more time to adult services or have they been reassigned to other program areas? And, perhaps the most important question of all—how are the states allocating the money saved from conversion to SSI? It would seem only just that this money be funneled into the enhancement of adult services.

As we stated at the outset of our remarks, we are aware that there are other fundamental deficiencies in SSI, which must be corrected if Congressional intent is to be realized:

There is a need for automatic cost-of-living increases in Federal and state SSI benefits. Such increases should be tied to raises in Social Security benefits and recipients protected against corresponding reduction in state supplements and benefits from other programs.

The food stamp and commodity surplus eligibility of SSI recipients should be made permanent and recipients guaranteed against lost benefits due to "cashing out".

Important first steps have been taken by the Congress to provide income through the SSI program and to provide social services through Title VI of the Social Security Act to the nation's elderly, disabled and blind. We would hope that the weaknesses in the SSI program would receive the immediate attention of the Congress; that the regulations governing Title VI services be continued

beyond December of this year; and that strong linkages between these two programs be developed and federally mandated. If not, the total impact of both programs will be dissipated.

We appreciate having had this opportunity to present to this Committee our recommendations for legislative and administrative changes relating to SSI in our continuing mutual efforts to guarantee a quality lifestyle for all older persons. Thank you.

Senator HANSEN. Next we will hear from Commissioner Flowers of the department of welfare, from the State of West Virginia.

Mr. Flowers, we're very pleased to have you here.

Mr. FLOWERS. Thank you, Senator, and as the anchorman in this panel, I'll attempt to be as brief as possible and speed to a conclusion here right away.

I have a rather brief statement. I will attempt to summarize it.

Senator HANSEN. Fine. Your entire prepared statement, without objection, will appear in the record.*

STATEMENT OF HON. EDWIN F. FLOWERS, COMMISSIONER, DEPARTMENT OF WELFARE, WEST VIRGINIA

Mr. FLOWERS. In my judgment, the SSI program in its implementation and administration has not resulted in either an efficient or responsive system for helping economically the older citizens of this country.

I think its main deficiency has been reliance upon an overcentralized system that requires everything to go to one national office. I realize we cannot turn the clock back, but I do feel that we can achieve what older people are entitled to expect if we would do one of two things.

I strongly suggest that the program could be more effectively administered by certain of the States under contract with the Social Security Administration, and short of this, I think the Social Security Administration itself would achieve a great effectiveness and responsibility to the people that it's supposed to serve by delegating to regional offices the ability to meet these needs locally.

I think there are certain policy changes that just demand a change and amendment, and one of these is that we must avoid trying to have a "fail-safe" system by which every conceivable cross-check is made before help is delivered.

The help must be accessible to the people that need it or else it's of little use.

I feel that food stamps should continue to be made available on the same basis, to SSI recipients, as any other American, and his privilege of having the stamps mailed to him as we are doing in West Virginia, should be offered by the Federal Government.

If this were done, there would be no excuse for more than one eligibility determination, and if there is reluctance on the part of some States to extend this benefit to their people, we would suggest, if they had tried it as we had, they would have liked it, and as far as the difficulties about individuals having hangups about using the stamps, we think that some of us worry more about that than hungry people do. When my wife goes to the store, she receives stamps. Some other wives go to the store and use stamps.

*See p. 751.

COMMONSENSE ELIGIBILITY REQUIREMENTS

I think there's certain commonsense eligibility requirements that could very easily and very simply be written into the program, and should be done right away.

One of these is with respect to the property requirements about an individual's homestead. He should not be required to commercialize his property in order to be eligible for help.

In addition, in the area of disability we have a grave gap that exists now between the new Federal program and what the States have been providing. We do not have realistic disability standards written into the SSI program at the present time, and I've commented on this more extensively in my text than what I will right now.

A second area, however, that I would hasten to call to the committee's attention would be that of a spouse of an eligible SSI recipient. Formerly, these individuals were helped if they were in an assistance household, but as I point out in my written statement, a 63-year-old spouse is considered nothing as far as economic help is concerned, and what is even more tragic, there is no medical assistance available for this individual unless she would happen to be blind or disabled and thereby separately qualified.

In short, I strongly recommend to the committee a new pattern of administration for this program and a more rational set of policy standards.

Otherwise, I think the objections that have been heard thus far by the committee, and what will be inevitably an evermounting bureaucratic chaos, is going to be translated into further serious, and in some cases, tragic deprivation for the unfortunate people that we all desire to serve.

Mr. AFFELDT [now presiding]. Thank you, Commissioner Flowers. Your prepared statement will be placed in the record at this point.

PREPARED STATEMENT OF EDWIN F. FLOWERS

My name is Edwin F. Flowers. I am Commissioner of the West Virginia Department of Welfare, 1900 Washington Street, East, Charleston, West Virginia. The West Virginia Department of Welfare formerly had responsibility for money payments to the categorically eligible aged, blind and disabled which were converted to the Supplemental Security Income Program on January 1, 1974. It presently has responsibility for a State administered system of money grants to the family categories (AFDC) including unemployed fathers, statewide administration of the Federal Food Stamp Program and a program of social services as well as administration of the Title XIX Medicaid Program extending benefits to all categorical recipients of welfare aid, medically needy low income persons and SSI beneficiaries.

The Supplemental Security Income Program has been a boon to many people. I would in no way want to minimize its importance in reducing the incidence of economic poverty or in making additional government benefits available to a great number of people. However, neither is it my intention to deal in generalities nor take comfort in sizable gross statistics when for more than six months we have had to make excuses for the system to the people it was designed to serve. That the new system is not living up to its billing is an understatement. The representations made and the arguments advanced for its enactment simply have neither been fulfilled fully in practice nor, in my judgment, do they appear likely to be fulfilled in the foreseeable future. In addition, there can be no dispute that this program has been one of a very substantial magnitude to implement. Neither is there question that the multitude of amendments and adjustments desperately made in the legislation has, in some instances, aggravated rather than relieved the complexity of the problems.

However, in the judgment of this State Administrator, the implementation and administration of the Supplementary Security Income Program has not resulted in either an efficient nor a responsive system to meet the economic needs of our older citizens.

In the huckstering of the program, a great deal was made of the supposed efficiency of the Social Security System. My own judgment is that we confused the "efficiency" with the "humanity" of the system. The presumed efficiency of the Social Security Administration overlooked the fact that retirees or survivors whose lifetime personal and earning record was already on file with the system, waited weeks to receive benefits. To the contention that this Nation's elderly, blind and disabled recipients could not endure the painfully slow functioning of such a system came the response that \$100 would be available in an emergency to meet the needs of an applicant. This ignored the fact that \$100 scarcely meets the absolutely minimum needs of any applicant for three weeks and there was no indication whatsoever the new system could respond in that length of time. It further overlooked the more important fact that, unlike wage earning retirees and survivors of annuitants, the SSI applicant was destitute usually the day he came to apply for aid if indeed he had not waited for weeks in destitution before application was made. The typical applicant of benefits under State programs for the aged, blind and disabled did not ask for help in advance of when he needed it or even on the day when he needed it but generally he made application long after the need had arisen having held onto a hope that dependency upon a public system of support would not be necessary.

I do not speak with an impractical longing for a kind of program administration not attainable in reality. I speak of our own ministering to the needs of aged, blind and disabled in a State of 1,744,000 people where twenty-seven field offices were able to take immediate action upon receipt of an application for aid and, through the use of computer terminals, cause a check to be written at our Central Office and mailed within twenty-four hours to a recipient. This system had been in operation since 1970 and still serves our family category of welfare recipients in this fashion.

Of course, the Social Security Administration can "out-computer" anything the State of West Virginia has, but I suggest in the administration of their automatic data system, the Social Security System, including the Supplemental Security Income Program, has vastly over-centralized the input of data to one point making the output inefficiently and unresponsively slow and cumbersome. Indeed, their system might be aptly characterized as having "constipated computers." This over-centralization has perhaps resulted from a penchant for a "fail safe" system where so much automated cross checking would be done that an ineligible recipient could never slip through. While none of us except the system to be responsive to the point of recklessness where the integrity of the recipients as a group is suspect, I would suggest that since by far most applicants are honest, the new system would hurt less people if it sent checks first and let the computer tapes fraternize later.

We built our system of mandatory supplemental aid and medicaid eligibility on the promise of a prompt transfer of computer tapes to the State concerning eligible SSI recipients. Not only is the determination of eligibility and transmission of the first check delayed, but when the taped information arrives it is usually in error due to a change of circumstances or other causes.

For example, some cases appear one month on the list but are omitted the next month even though they are still receiving an SSI check. In other cases we find they have received checks for several months and not appeared on a computer tape by which we can issue a medical card.

The efficiency of the former system has been lost in another respect. Our aged, blind and disabled recipients had the option in West Virginia of authorizing the deduction from their assistance check for the cost of food stamps.

This spared them the expense and inconvenience of a separate trip to purchase their food stamps at a welfare office or bank. The stamps were available at their mail boxes rather than at the County seat. Sixty-five percent of all eligible adult recipients used the "check off" system. By withdrawing this service under the Federal system, participation in the program has dropped by 10.1%, from 15,455 households to 13,893.

About the termination of mail issuance the daughter of an aged SSI recipient in Kanawha County, West Virginia, said "you finally did one thing right and now you have stopped that." The result is that we have taken away an important service from a needy segment of society which has also been hurt the most by inflation.

Not only has the supplemental Security System been wrongly presumed as being efficient, but its efficiency is now marred by the States being forced to duplicate the service of economic support to this critical category of persons. In this age when helping agencies are rightfully faced with the question of how much help they really deliver to the poor, we should not put ourselves in the position or posture of duplicating each other's efforts. I was one who was personally convinced that the economic support of aged, blind and disabled persons should and could be borne by the Federal Government. That, not only, is not being done, but the trend has been established toward the reinstitution of state programs for essential economic aid in order that human needs may be adequately met. This is particularly true in the aid to the disabled category.

Thus, we have both the State and Federal Governments expending resources needed by poor people on mechanisms for the delivery of those benefits to them.

I have already commented upon the time delay from the point of application to the receipt of help. The delay seems to be taken as tolerable and normal by an organization (Social Security) which relies upon retroactive benefits to achieve in justice what it lacks in responsiveness. While it is commendably fair that applicants be paid from the point of application this ignores the fact that forced starvation is not remedied by deferred but accelerated consumption.

Our State Commission on Aging reports that their referrals to the Social Security Administration have experienced an average of three months' delay between time of application and receipt of the first check.

Contributing to the unresponsiveness of the system is its inaccessibility to many persons. Whereas State benefits were available through offices in all of our fifty-five counties, SSI applicants are served by only fifteen offices. Itinerant visits to additional localities in the State do not correspond with the unscheduled and unplanned poverty experienced by most potential applicants.

I would like to point to three major obstacles which confront individuals who by common sense, non-technical standards of eligibility are now excluded from the system.

The first obstacle is the property limitation regulations which count land adjacent to an applicant's dwelling as part of his assets and not as part of his homestead exemption. This land frequently is assessed or valued by some optimistic evaluator as worth in excess of the \$1,500 statutory maximum. While some regions do appear to interpret the homestead as including all land adjacent to the dwelling if the composite value is less than \$25,000, this interpretation does not appear to be universally shared by all Social Security District Offices. In a rural State such as West Virginia this interpretation has had a worse effect than the lien laws which we had long ago abandoned and which were condemned by the SSI statute.

The second obstacle is an unrealistic qualification level of help for the disabled. This is one of the most personally disappointing revelations of the new SSI system.

The interpretation of the Title XVI standards which must be applied prospectively by the Social Security Administration and retroactively to all recipients who came into a State system after July 1, 1974, will mean that many persons considered qualified for aid by the States will now not be helped. While it is recognized that perhaps as a standard the Congress could not take the most generous interpretation of the fifty State welfare jurisdictions, I submit that the qualifications being used under Title XVI are totally unrealistic in several respects and compel the creation of a supplemental state system for the Federal Supplementary Security Income System. If that sounds confusing to those of us who are in the program, think of what it must sound like to a person who has been determined by his physician to be disabled and certified by his banker to be penniless.

This disparity results from both matters of regulation and attitude of administration. Specifically, since 1970, West Virginia had afforded categorical aid to the disabled where the prospective disability period was six months or more. The Federal standard of prospective disability is one year, meaning that the disability must virtually be permanent or else it will not be federally attended. A further specific qualification has to do with the intelligence quotient where in West Virginia we felt that the I.Q. level of 65 was distressingly rigorous as a level above which self-support could be presumed. The Federal presumptive level of disability is an I.Q. of 49. While we would, of course, hope that a maximum number of those with less than average I.Q. could be self-supporting and educable, deprivation from federally supported programs does not lead us to a realization of that hope.

In administering the State categorical disability program prior to SSI, we found our approval rate of applicants to be approximately 70%. The SSI approval rate is estimated to be 35 to 40% and very few applicants are approved presumptively by a District Office. Our field staff approved on the average about 40% of all applicants on a presumptive basis, considering the social and medical data available while further documentation was secured. The experience gained from this approach did not accelerate and expand an ever-growing case load. The disabled case load at the time of conversion was within 2½% of its level of three years earlier.

Thus, to maintain even the minimal program of support to the disabled which West Virginia had prior to January 1, 1974, we will be compelled to implement a new State category of assistance to the disabled to complement elusive federal categorical help under SSI. If the goal of the new Federal program was to eliminate or reduce federal support to this former category of state recipient or to shift this burden to state and local governments, then that result will be achieved.

A third obstacle in the qualifications for the new program has to do with what was called in our State program "the essential person provision." Under the new Federal program each person in the household must qualify separately in order to be included in the Federal grant. This is contrasted to the practice of many States including West Virginia where the spouse of an eligible recipient was included in the grant. This means that a 65-year old SSI recipient who is married to a 63-year old spouse, will be expected to live on a grant payment of \$146 which has been declared an adequate amount for just one person unless that spouse is blind or disabled. Under the State program, this situation would have called for a grant payment to a household of two persons. While the effect is slightly ameliorated by the Federal food stamp benefits which are progressively generous to larger household units and those with lower household income, the more substantial loss is the medical benefits which are no longer available to the spouse. Thus, those spouses of persons declared eligible for full federal support, are deprived of both cash assistance to allow them to continue to live with their SSI recipient spouse and the medical support which is so vital to every person in an assisted household.

CONCLUSION

I would like to conclude with the following observations. The first deals with administration, the second with operation.

First, despite the problems discussed above I realize that we cannot "turn back the clock" in this matter. However, I would strongly suggest that the program could more effectively be administered by states under contract with the Social Security Administration. In federalizing aid to the aged, blind and disabled, impressive statistics can be marshaled to show significant strides being made to reduce the incidence of poverty in America. But given the same increases in resources and federal encouragement for improvements and standardization in State systems, a more efficient and responsive system not only was possible but was in fact being realized in many places.

Failing a contractual decentralization of administration to the States, a genuinely regional system of federal administration should be substituted for the present over-centralization.

My second observation concerns the actual operation of the program. A variety of needed policy changes must be instituted before the goals of the program can be met, irregardless of who administers it.

To be specific, the elderly, blind and disabled poor need help promptly. Precious weeks, days and even hours of their lives should not be sacrificed to achieve a "fail safe" system of aid. Help should be accessible by the adequacy of offices where decisions can be made and help delivered close to the site of the need. Food stamps should continue to be made available on the same economic basis for SSI recipients as any other American and his privilege of having the stamps mailed to him should be offered by the Federal Government. Common sense eligibility requirements should prevail and we should not disqualify a person because he has not commercialized the property in which he resides. The expectation of self-support must be more realistic in both standards of disability and qualifying the spouse for cash assistance and medical benefits.

In short, I am strongly recommending a new pattern of administration for the program and a more rational set of policy standards. Otherwise, we shall be faced with ever-mounting bureaucratic chaos which in practice is translated into serious and in some cases tragic deprivation for the unfortunate people whom we desire to help.

Mr. AFFELDT. Commissioner, I would like to congratulate you and the other witnesses for making very powerful presentations.

Now, I would like to submit some questions on behalf of Senator Church, and I'll start with Commissioner Flowers.

The first question is this. The law on regulations governing SSI gives very little incentive to the States to supplement the Federal payment.

From the States' viewpoint, how could this incentive be incorporated into the law to encourage them to make supplementary payments?

Mr. FLOWERS. Sir, I don't think that the States will be very much encouraged to supplement until some of the gaps in helping people initially are met.

For instance, I think it is a much greater concern to my colleagues and State administrators that people are waiting 3 months to get their help initially, more so than getting additional money to those that are already in the program.

Second, we are more concerned that disabled people which we formerly could help under our State assistance, are not going to be helped under the new system, and I think until some of these gaps are met, until the system becomes responsive to meeting the economic needs, and as Mr. Ossofsky has so well stated, the social service needs, then I don't think we'll get much attention to further improvement by State supplementation.

Mr. AFFELDT. Second, we've heard a great deal of criticism with regard to the fair market value limitation concerning a home for an SSI recipient.

Now, it's \$25,000. Would you have any suggestions for improving this particular aspect of SSI?

HOMESTEAD EXEMPTIONS VARY

Mr. FLOWERS. I think a matter of interpretation would help in this regard. I don't quarrel as much with the \$25,000 limitation, as I do the policy in some districts, at least, of excluding all except the lawn around the home as part of that \$25,000 homestead.

In other words, what is happening in some districts is that if a person lives on a small parcel of land, maybe 3, 5, 6 acres, only the lawn is considered as part of his exempt homestead, and the rest of the property is valued commercially.

In other instances, in other Southern States, we have an aggravation of this where virtually worthless property is excluded from the homestead exemption. I think a matter of policy interpretation that was uniform throughout the country which preserved intact to the individual the property adjacent and contiguous with his residence would help relieve this disqualifying factor that's presently being experienced by many people.

Mr. AFFELDT. Let me pose this question to all four panel members.

Do you think it might be desirable to have varying fair market value rates to take into account the substantial difference in the cost of living with regard to the various regions of the United States? For example, a house in Washington, D.C. or New York State would be valued at a substantially higher level than perhaps some small midwestern community. This, of course, can have very dramatic impact on SSI recipients.

Who wants to proceed first?

Mr. FLOWERS. Let me just continue and respond to that. I think it's very difficult—we know that there are certain regional variations in the cost of some items, but even within my own State we have such vast differences in property valuations.

For instance, the community of Charleston, W. Va., where the State capital is, property there is atrociously high, and I understand compares with the Washington, D.C. area, for instance, while in other parts of our State we do not experience such inflated values so even within very confined geographic regions I think you get wide variations, and we need to remember that one of the reasons for the federalization was to get some standardization so that there wouldn't be the disparity in eligibility criteria from one community and one State to another.

We had 50 different standards before. Now, I think we need to be very careful in trying to achieve what would be equity among all regions of the country, that we not find ourselves with such disparate systems in the future.

Mr. FAHEY. I think the fundamental public policy issue that's involved in this is that we should have a basic floor that is equitable. The floor should be of such a nature that it would be reflected in the different standards of living throughout the United States.

Mr. AFFELDT. Mr. Greenstein, do you want to answer that question?

Mr. GREENSTEIN. No, thank you.

Mr. AFFELDT. Jack Ossofsky?

Mr. OSSOFSKY. No, I concur with Mr. Flowers.

Mr. AFFELDT. Let me just read this into the hearing record. This is for your benefit, Mr. Flowers.

Senator Randolph regrets that he cannot be present to greet you and to hear your testimony, but he sends his best wishes.

Mr. FLOWERS. Thank you.

Mr. AFFELDT. John, do you want to ask any questions?

Mr. MILLER. No questions.

Mr. AFFELDT. This question is directed to Jack Ossofsky.

COORDINATION WITH SOCIAL SERVICES CONFUSED

Since there's been considerable confusion about the coordination of services within the SSI program, because SSI is administered at the Federal level and the States are responsible for providing social services, do you believe that the title VI social services program could be coordinated with SSI in a workable fashion?

That's point 1. If so, how can this be accomplished?

Mr. OSSOFSKY. The answer to the first question is yes, and as a minimum, it's possible to even work out, it seems to me, a modus operandi where there were outstation Social Security office representatives of the local welfare department and county welfare department.

That won't necessarily solve the problem, but if there were a working relationship of that sort, it would be possible for the referrals to be made at one time.

Second, it's possible to take a more aggressive position about referrals that come to the attention of the Social Security offices. We have a number of instances referred to us, some referred to in the testimony, in which there simply was no attempt to make the referral

even though someone came in and asked for help, and it seems to me that it's a question of motivating the staff and also having an adequate amount of staff to take care of the sensitivity toward the human surface aspect.

Back in 1969 or so, when we did the original Project FIND report, based on a survey of some 50,000 older poor people, we pointed out at that time that a step to a unified system of approach would be to see to it that there was coordination between the welfare departments and the Social Security offices, with the hope of establishing one referral point in a community where a person could come and have a well stocked service center, get his cash benefits and also get his referrals to the appropriate agency.

That doesn't mean that all of the social workers have to be housed in a Social Security office, but let's stop forcing the older people to go shopping, and create at least one stop where they know they can come for information and assistance, with some followup.

Certainly it's possible to be done if we want to do it.

The other thing that seems to me needs to be done is to see that the title VI regulations are enforced—that we take some aggressive steps to see that the services that are mandated are indeed being offered and provided. This is not necessarily the case across the country. At a minimum, we've got to see that these services are made available, and second, that people are informed about them.

It may very well be that the growth of area agencies on aging and information referral services being developed by the Administration on Aging will help in this regard. However, most of those agencies are still in the formative stage.

The Social Security offices, on the other hand, are there.

One of the reasons so many of us were anxious to see the SSI program created and administered through Social Security was because the Social Security office had a very positive connotation in the eyes of older people. It was a place to turn for assistance, for a benefit, for a right to work title, not for a handout, with none of the denigrating connotations that we referred to earlier.

Well, if indeed we were to maintain that kind of approach and see to it that services are provided with a similar kind of positive view, that people are entitled to benefits, because those benefits have been legislated, then I think people would turn to the Social Security office which offers a variety of social service in the community which it ought to serve.

STATES WITHDREW FUNDS

Let me just add one other point. In the testimony itself, I refer to the fact that we had hoped that when SSI was created the States would not pull back the funds that they had invested in the past in old age assistance, would indeed supplement SSI where needed, and would enhance the social service program. This is not taking place by and large across the country. The States are saving that money.

There is evidence that in many of the States the departments of social services with less people there, are giving fewer services. Once and for all, we've got to begin looking at people's needs in our country, particularly the needs of the economically, socially, and physically frail, and do something to treat people with a sense of equity and justice.

We put a lot of emphasis in our country on the concept of independence. We run some programs that emphasize the independent living of older people, but the fact remains that at certain points in people's lives they may become dependent. That's not a crime. That's a reality of our society, and we ought to see to it that people get what they need to help them overcome that hurdle, without adding a sense that they're doing something terrible, losing faith, losing self-esteem by getting the help they need.

Can't we reach out to the people in need to give them the help they're entitled to, and develop a mechanism that systematizes and coordinates all of the efforts at one time. I think we can if we have the will to do so.

Mr. AFFELDT. In the fall of 1972, the Revenue Sharing Act was passed, and there were about nine categories set aside for priority funding among the localities. One was social services for the elderly and the poor.

Now, we've had a little over a year of experience with revenue sharing. In your judgment, how would you say the elderly have fared under revenue sharing?

This is directed to Jack Ossosky.

Mr. OSSOSKY. All of the evidence indicates that less than 1 percent of revenue sharing is going to the elderly. Now, it may very well be that the elderly are benefiting from the strengthening of police departments that is taking place, from the new paddy wagons that are being purchased. Some of them may even be riding on the new roads that are being built with revenue sharing, but the fact remains that categorically, they are receiving only a fraction of what they're entitled to.

Very little is being done, for example, in other categories of revenue sharing that could very well serve the elderly. There is very little evidence that the other categories are being interpreted in such a way that the new services or facilities specifically include the elderly.

NCOA undertook a study of revenue sharing and we've done our best to encourage community groups to put heat on the local governmental bodies, to alert them to their responsibility in this regard.

We have also produced a technical monograph which, I must say, has been very well received, describing how revenue sharing has been used in a number of communities. I'll be happy to submit a copy of that publication for the record, if you would like to have it.*

Mr. AFFELDT. Yes, we would.

REVENUE SHARING NOT UTILIZED

Mr. OSSOSKY. There appears to be no significant utilization of revenue sharing to enhance social services for the elderly or the poor.

Now, the mixing of the elderly and the poor in one category, shows perhaps some sensitivity on the part of some legislators. However, when it gets down to the local scene, "them what has gets, and the elderly what ain't got, don't get."

Mr. AFFELDT. Father Fahey, this is a question that we have from Senator Church.

*Retained in committee files.

Can you explain how SSI has affected certain residents of private, nonprofit retirement homes? How has the implementation of SSI affected recipients who reside in other forms of housing such as public housing?

Mr. FAHEY. The Federal Council on Aging has responsibility to study interrelatedness of one benefit to another. It's just an extremely difficult problem that we have to come to grips with as a Nation, to integrate eligibility criteria for various programs properly.

Mr. GREENSTEIN. Could I just add one other quick point in reference to what I talked about earlier, and that was I did want to indicate my sense that if the Congress is not willing to enact a cash out along the lines that we discussed earlier, and is interested in retaining food stamp eligibility for SSI recipients, then my sense would be that the best route to go would be to make the present provision permanent; the present provision that's been extended for 1 more year indicates that in all States SSI recipients are either eligible for food stamps or are eligible for a cash out. I don't really think there are many complaints with the present provisions other than the problems that we talked about namely, that a lot of people who are eligible for food stamps are not enrolled in the program. So if the Congress wants to retain food stamp eligibility for SSI recipients, I feel the best route would be to make the present arrangement permanent, although I think the cash out is still the ideal solution.

Mr. MILLER. If you extended the current provision, would you leave open the option for States to cash out at any time if they desired to?

Mr. GREENSTEIN. Yes, I have a little note on this in my testimony. I think the two technical changes I would make are, I would reopen cash-out options so that a State could decide at any time to cash out, and this involves a lot of decisions in terms of adjusted payment levels and so forth. The State's going to look at its own interests in this matter, but I think that if we're going to keep food stamp eligibility, then the option should be left open so that the State can at any time decide to switch to the cash-out route.

Additionally, I think that the dollar value of the cash out should be changed so that instead of having the cash out based on the average food stamp bonus as of January 1972, we have either of two things—we have either a food stamp cash out based on the current average bonus level, or, if we're going to have just a small number of States doing the cash out, that we have a provision whereby there is simple calculation at the time that each State that chooses to cash out goes to the cash out. This would be a simple calculation to determine the average food stamp bonus for which SSI recipients in a particular State qualify as of the month that that State converts from food stamps to a cash out.

INEQUITIES IN CASH-OUT PROGRAM

Mr. MILLER. Wouldn't that lead to the kind of inequities and create some of the problems that we haven't really resolved—I mean as a contrast to a once-and-for-all cash-out program such as you have recommended?

Mr. GREENSTEIN. It's the same issue again, of simplification versus complexity, but I'm not sure the complexities necessarily are inequi-

ties. The reason I'm suggesting this is that it seems to me that if you're not going to update the cash-out formula—it's now based on January 1972 food stamp bonuses—then you've got an inequity. The inequity results from the fact that SSI recipients in States that do not have high State supplements are entitled to food stamp bonuses that are greater than the 10 currently provided by the cash out, and there's an inequity to those people if they lose a \$16 food stamp bonus—perhaps \$20 or \$25, if they have deductions—to get a cash out that's only \$10.

Mr. MILLER. I understand that, but as I understood your suggestion a few moments ago, it would be optional to the State at almost anytime which would tend to perpetuate that.

Mr. GREENSTEIN. I don't think that a State option itself leads to an inequity. The food stamp/SSI provision which was originally passed last December and which is now still in effect, basically froze the cash-out option. Under the original H.R. 1, there was a cash-out option and I really don't think giving a State that option is an inequity.

The inequity in the original bill—H.R. 1—was that the State had that option but didn't have to take it. If a State didn't adopt this cash-out option, the people didn't get any food stamps either. They got nothing. That was the problem in the original bill.

Mr. MILLER. Perhaps I'm still misunderstanding the point you're making. Under the option you're speaking about, the State could opt for the cash out next year at an appropriate level. Another State could opt out 5 years later, at another level.

Mr. GREENSTEIN. I see. That's a good point. There's a point I made in my written testimony that addresses that. The question is if you cash out food stamps and you only cash them out at \$10 or some other figure, and in the meantime food stamp bonuses continue to rise as food prices rise, isn't it inequitable to people who are cashed out at an earlier point in time because they're left at the level they were cashed out at several years ago.

I think the answer to that question is to have a regular cost-of-living adjustment for the entire SSI payment, including State supplements and including a cash out. If you had a regular cost-of-living adjustment, I think that would settle this issue and there wouldn't be an inequity.

In New York, the current SSI payment level for single persons living individually is \$207 a month. That includes a \$10 cash out, but if that \$207 a month were adjusted every 6 months or every year according to increases in the Consumer Price Index or some other appropriate index, which after all covers food as well as other items, then that whole amount would increase, and I think that would deal with this issue and eliminate the inequities. If this procedure were adopted, the cash-out payment would not remain static while food prices and food stamp bonuses rose.

Mr. AFFELDT. Thank you.

With that, we will adjourn subject to the call of the Chair. Thank you very much.

[Whereupon the hearing was adjourned at 4 p.m.]

APPENDICES

Appendix 1

ADDITIONAL MATERIAL FROM WITNESSES

PREPARED STATEMENT OF THE NATIONAL RETIRED TEACHERS ASSOCIATION AND THE AMERICAN ASSOCIATION OF RETIRED PERSONS*

INTRODUCTION

Fundamental to the legislative program of our organizations, the National Retired Teachers Association and the American Association of Retired Persons, is the belief that the various programs of income maintenance and income replacement must be structured and regulated so as to assure that the highest standard of living experienced by aged or disabled persons in the years immediately prior to retirement, death of spouse or disability will be continued and maintained. In order to achieve our organizations' goal, the various components of the existing income structure must be perfected.

At the present time, this structure includes the Supplemental Security Income Program, intended to provide every aged, blind and disabled person with a basic floor of income protection, the earnings replacement and annuity programs such as Old Age, Survivors and Disability Insurance, civil service and railroad retirement, supplemental private pension programs, income from productive labor and programs and preferences designed to prevent substantial reductions in income as a result of income and property taxes and health care expenses. The focus of attention of this Prepared Statement is the SSI income maintenance program.

Our organizations actively supported and promoted the October 1972 enactment of the Supplemental Security Income program and consider it to be positive evidence of the continuing federal commitment to the elimination of poverty among our aged, blind and disabled population. We also feel that the program illustrates a general agreement in this country as to the desirability of a multi-level approach to income security for these groups. Once perfected, our organizations believe that the SSI program will provide the basic floor of income protection on which may be built an adequate income structure.

Our organizations vigorously supported the use of general revenues to finance this income redistribution program and the establishment of federal eligibility standards to eliminate inequitable eligibility variations from state to state under the old state programs of Old Age Assistance, Aid to the Blind, Aid to the Permanently and Totally Disabled, and Aid to the Aged, Blind and Disabled. We also supported the elimination of property liens and "relative responsibility" provisions and the exclusion of the individual's home, care, personal effects, household good and furnishings in determining whether an individual is in need of the income maintenance protection of the SSI program. We believed that provisions such as these would protect the personal dignity of the future SSI recipients.

Now that the Supplemental Security Income program has been operational for six months, and having participated fully in the implementation efforts, our organizations have come to recognize that the SSI program is in need of further perfection—both with respect to its administration and its statutory features. We believe that the program, contrary to the intent of Congress, is failing to provide cash assistance to millions of potentially eligible individuals. We are dissatisfied with certain elements of the statutory income and resource tests which seriously compromise the dignity of the aged, blind and disabled poor. We are

*See statement, p. 721.

even more dissatisfied with what we consider to be overly restrictive regulatory interpretations. Finally, we are dismayed that the Congress has still failed to guarantee, through this SSI program, an income floor of not less than the poverty threshold. While we are encouraged by the action taken by the Senate on June 27 to amend the SSI program to cost-index the income floor that is guaranteed, and to assure that cost-of-living increases will be passed through to SSI recipients, cost-indexing will merely preserve the purchasing power of the existing benefit levels which our organizations assert are inadequate. It should not be too much to ask that the aged, blind and disabled poor be guaranteed an income sufficient to lift them from poverty.

IMPLEMENTATION

What Has Caused the Delays?

Appearing before the Senate Finance Committee last June, Secretary of Health, Education and Welfare, Casper Weinberger, defending his Department's role in implementing the SSI program, proclaimed:

... May I emphasize that the planning stage is over. Right now, the Social Security Administration is working with state and county welfare agencies throughout the Nation on an all-out, urgent basis. The law requires that we complete the highly complex administrative responsibility of implementing the new program by next January, and we will.

An equally confident tone was expressed by Acting Commissioner of Social Security, Arthur Hess, in the August 14, 1973 Commissioner's Bulletin:

... We have begun to take claims from persons who will be newly eligible next January. Our current thinking is that the receipt of these claims, (called "make ready" claims) will peak in the October-December quarter. We expect to take about 3.75 million of these claims this fiscal year so that (counting the conversion cases) we will have an estimated 6.2 million recipients on the SSI rolls by June 30, 1974.

Contrast this expressed optimism with the facts:

1. As of October 31, 1973—a full year after the enactment of the SSI program—no final administrative regulations had been published;

2. The conversion process which was to be completed by October, 1973, was incomplete at the time of the implementation of the program;

3. On January 1, only 215,000 additional persons had been added to rolls over and above the approximately 3 million persons eligible for state public assistance payments in December 1973.

Our Associations do not wish to dwell at length on the apparent discrepancies between the official forecasts on the implementation of the SSI program and the actual implementation; however, the facts raise a particularly important question—what has caused the delays?

Regulations

As of October 31, 1973—a full year after the enactment of the SSI program—no final administrative regulations had been published, while five of twenty-one reserved subparts had been published as proposed rules. To date, several of the reserved subparts are still regulated through interim rules.

A number of factors have been identified as having a bearing on the slowness of the administrative rule-making process. One which deserves special mention is the stark realization that when Congress enacted this program, few had knowledge of the complexities in the tangled administration of Old Age Assistance, Aid to the Blind and Aid to the Permanently and Totally Disabled throughout the 52 states administering the grants-in-aid programs. Regulations could not be written without some factual picture of what was happening under the old programs, and it took some time to compile this information into a coherent presentation.

At the same time, however, the lengthy delay in choosing a permanent Commissioner for the Social Security Administration during the Spring and Summer of last year further compounded the implementation of SSI. Although Acting Commissioner Hess did all within his power during his interim leadership of the Social Security Administration, many critical decisions were delayed during the crucial planning stage until a permanent Commissioner could be chosen. Furthermore, the change in leadership in the Social Security Administration and in the Department of Health, Education and Welfare during this "tooling up" stage delayed decisions until a full understanding of the program was established by the new appointees in line with their other responsibilities.

At this point, our Associations wish to emphasize that we do not want to lay the blame for delay in implementation of SSI on any one person or any one

agency. Rather, we suggest that the developments at the planning and implementation stages of the SSI program add substantial evidence for Congressional action to remove the Social Security Administration from the Department of Health, Education and Welfare and to insulate its leadership from the pressures of politics as proposed in S. 3143.

Conversion

The magnitude of the transfer process converting previous recipients to the new program can only be appreciated now that it is completed. Our Associations wish to commend the Social Security Administration for a "job well done." It is easy to point to a number of newspaper articles documenting individuals who did not receive checks or to underscore the problems of one state or another; however, on the whole, the conversion process was adequately administered.

Should this Committee find question in the conversion process, we would suggest that the lack of consistency in the previous grant-in-aid programs forced the Social Security Administration to spend a great deal more time than previously thought necessary in sorting out the data given by the states. Furthermore, in spite of the wholehearted cooperation by the American Public Welfare Association and the tremendous assistance of this group's SSI Transition Committees, there has been some evidence of state "foot dragging" in compiling data to be used in the conversion process and slowness in confirming data returned from the Social Security Administration.

With the conversion process completed, and with praise to the many that made this enormous task a reality, our Associations would only offer this constructive advice to HEW and SSA spokesmen, that in the future, they be willing to tell the whole truth about the complicated process of conversion rather than broadly brush the predictions of accomplishment and then be embarrassed by the few reported failures.

New Eligibles

Although the exact size of the population eligible for Supplemental Security Income grants cannot be predicted with precision, the two most used forecasts, i.e., figures developed by the SSA Office of Research and Statistics, and figures developed by the Bureau of Social Science Research, Inc. are substantially above the confirmed data from our early experience under the Supplemental Security Income program.

The SSA Office of Research and Statistics has estimated the total eligible population for basic federal SSI grants up to the \$140-210 standard to be 6.2 million prior to the April, 1974 increase in Social Security benefits, and 6 million after the April increase. These estimates were developed from 1971 data for a nationwide sample of households—taking from the Current Population Survey of the U.S. Bureau of the Census—projected forward to a 1974 basis. The alternative estimate developed by the Legal Action support project of the Bureau of Social Science Research utilized the income data of aged persons reported in the 1970 general population census, by state, projected forward to the end of 1973. This estimate forecasts the total number of persons eligible for basic federal SSI benefits at the \$140/210 level to be 8.4 million (prior to the April 1974 Social Security increase) and thus comparable to the SSA estimate of 6.2 million. In both studies, the total number of persons potentially eligible for state supplementation only was estimated at about 1.1 million nationwide.

Preliminary data released by the Division of Supplemental Security Studies of the SSA Office of Research and Statistics indicate:

... Over 3.2 million people received Supplemental Security Income benefits during January 1974. Of these, 1.9 million (58 percent) were awarded benefits on the basis of age—65 years or older—and just under 1.3 million (40 percent) because of disability. The 72,000 awards based on blindness represented only 2 percent of the total. Of those eligible for benefits, approximately 3 million had been state public assistance beneficiaries, while the rest represented new awards under the SSI program.

The total number of SSI payments had risen from 3,215,632 at the end of January to 3,236,000 in February and to 3,333,000 by the end of March—a three-month increase of 117,000. If the number of converted cases remained the same from January through March (the normal attrition rate is estimated by SSA to be about one percent per month), then the number of newly-eligible persons actually receiving SSI benefits grew from something over 200,000 in January to about 300,000 by the end of March.

Contrast the payment data with the information concerning applicants. As of mid-April, it appeared that as many as 800,000 new applicants had been found

eligible for SSI benefits but had yet to receive their first check. By the first week of April, SSA district offices had been contacted by over two million persons, of whom some 758,000 were advised before filing applications that they were not eligible for SSI benefits, so-called "informal disallowances." The total number of formal applications reported by April 3rd was 1,333,644 of which 72,615 had resulted in denials of eligibility at the district office level and 210,442 were listed as "claims pending". Although the figures on claims denied is subject to error, as some of these could be changed on appeal, it appears that some 1.05 million new applicants had been found eligible for SSI benefits by the beginning of April.

There are a number of issues which this Committee should consider concerning the apparent difficulty in carrying through the processing of new applicants.

Foremost is determining the status of eligibility for individuals identified through Project SSI Alert. As you know, regulations specify that "payment of SSI benefits will be made for the month of application and each subsequent month thereafter" when eligibility is finally established. (Subpart E, Section 416.501, Federal Register for March 4, 1974). Although a change has been made in the SSI-Alert form, many of the persons in the backlog of applications were identified through Project-SSI Alert Form SSA-973S which encouraged the respondent to believe that he had made his initial SSI application by answering the questions. However, the undated and unsigned form appears not to meet the criteria of a formal application, even though the SSI-Alert volunteer was instructed to terminate his interview with the following words: "You do not have to do anything now. Someone from the Social Security Office will get in touch with you (or your spouse) about an application." Our Associations feel the SSI-Alert form should be used as the basis for determining date of eligibility.

A second question which merits Congressional consideration is the problem of financial liability for payments made by a number of states during the application process. Present law does not provide for reimbursing the states for interim payments even though the state payment would have been unnecessary if the SSI claim had been processed sooner. The lack of a viable emergency assistance program is a tragic shortcoming of the new Supplemental Security Income program. The Social Security Administration has made the argument that state and local governments should administer any program of emergency advances. However, these governments are understandably reluctant to do so since they cannot be assured of being reimbursed for their outlay. Our Associations believe the proposal advanced by the American Public Welfare Association to allow the federal government to reimburse state and local governments for emergency assistance payments to an SSI recipient by deducting those payments from the recipient's retroactive SSI payment is an equitable arrangement, especially in light of the voluntary basis of the program and the requirement for speedy payment to the individual of his remaining retroactive benefits. We endorse the Senate amendment on this issue in H.R. 8217.

Out-Reach

These immediate problems of ambiguity and long delays in processing the new SSI applications are presumably temporary ones. A larger question is the extent and effectiveness of out-reach efforts that will be maintained in the near future.

As a major participant in Project SSI Alert, our Associations evaluate this effort as falling short of its intended goals. Now that Project SSI Alert has entered Phase Two and voluntarism has given way to temporary employees, we can only hope that the spirit of cooperation between the Administration on Aging and the Social Security Administration has strengthened and that the planning and implementation of Phase Two is more organized than the effort in Phase One.

Five months after the implementation of the SSI program and nearly twenty months after the enactment of P.L. 92-603, the Social Security Administration in May was releasing a list of some 5.2 million names from their Master Beneficiary Record to the district offices as leads for potential SSI eligibles. This often-mentioned "leads project" had been promised for some time and was originally proposed as the basis for the Phase One SSI Alert.

By mid-June, our Associations estimate that Project-SSI Alert had phased out in just about 90 percent of the 631 target localities, and the consortia had dissolved. Given the instructions introducing Phase Two, with the District Office Manager being in a position to state the number of volunteers needed—he could opt for using no volunteers at all or using only temporary help, the net effect of this new phase is to close down the volunteer participation established under Phase One. We might add, there has been expressed dissatisfaction on the part

of many of our volunteers because of the delays in implementing the project and the apparent lack of interest on the part of the Social Security Administration in the use of volunteers.

We are forced to ask if there is a designed slow-down in finding new eligibles—responsibility for which can be placed not only at the federal level but also on the states. The original planning assumption considered by SSA in late 1972 was that, with 15 months lead time, some 80 percent of all newly eligible persons would be identified, contacted, signed up and ready to begin receiving SSI benefits when the program became effective.

We ask this Committee to investigate whether or not this original planning assumption was replaced some time during 1973 by the planning assumption that many eligible persons will be “phased in” to the SSI program only gradually over a 2½ year period. Dr. Bickel of the Bureau of Social Science Research maintains this planning change has been made—if so, this is a serious breach of the Congressional intent in establishing new Title XVI and immediate steps must be taken to insure compliance with the law. Bickel further maintains that the changed SSA planning assumption implies a participation rate reached by July 1976 of 85 percent or less depending on the attrition rate among “grandfathered” recipients and on the size of the total eligible population at that time.

On these assumptions, the total number of SSI recipients projected for June 30, 1974 is 4.3 million out of a total eligible population estimated by SSA to number 6.0 million at that time. Our evidence indicates that Bickel's charges are documented by the status of the program at this point in time. Applications for new eligibles have leveled off, nearing the attrition level for aged SSI recipients with growth only in the disabled segment. Without immediate attention to future outreach activities, we caution this Committee that the SSI program might stabilize at a target level of participation under 50 percent of estimated eligibles.

SUPPLEMENTAL SECURITY INCOME

A Major Departure?

The logic behind the SSI program was to develop an income maintenance system designed to promote dignity and independence. In the words of the Senate Finance Committee reporting the legislation, H.R. 1 makes:

. . . a major departure from the traditional concept of public assistance as it now applies to the aged, blind and disabled. Building on the present Social Security program, it . . . [creates] a new federal program administered by the Social Security Administration, designed to provide a positive assurance that the Nation's aged, blind and disabled people . . . [will] no longer have to subsist on below-poverty-level incomes. (Senate Report No. 92-1230, 92nd Cong. 2nd sess.)

The impetus for initiating a national income security program grew out of the increasing dissatisfaction with the administrative complexities, funding problems and variable treatment of individuals depending upon what state they lived in—all inherent problems of the federal-state-local grant-in-aid programs of the Social Security Act of 1935.

Although the intent of Congress in creating the SSI program was to minimize some of the more distasteful features of existing welfare programs for the aged, blind and disabled, an examination of the legislation and regulations indicate that some of the administrative problems of the earlier programs have been brought over to the SSI program. As Paper Number 10 issued by the Subcommittee on Fiscal Policy of the Joint Economic Committee points out:

Informational material about the SSI program emphasizes that there is a basic difference in approach between the SSI program and traditional welfare programs. A contrast is made between the welfare concept of determining individual needs and the SSI concept of comparing income to basic benefit levels . . . The difference between SSI and OAA is more methodological than conceptual. Whether shelter costs are considered as paid, or imputed income from free or nominal shelter cost is deducted from a standard payment level, the results are similar.

Eligibility

There are three basic aspects of eligibility. First, does the applicant meet the basic condition of age, blindness, or disability? Second, what are the applicant's assets: that is, what is the value of the real and personal property which he owns? Third, how much income does he have?

It is important to note, these three basic eligibility conditions are a part of SSI legislation. The Social Security Administration cannot be castigated for

promulgating regulations which conform to the letter of the law, even if the effect of these regulations would be to pervert the spirit of the program.

1. *Age*.—Under SSI, old age sets in at age 65, as it has since 1935 for assistance purposes. What this means for practical purposes, is that a determination of blindness or disability is not needed when a person is 65 years old or older. The definition of blindness and disability are the same as the definitions used in the Social Security disability insurance program. SSI's statutory definition of blindness is similar to the one used in the Aid to the Blind program, but the definition of disability is somewhat different causing a case-by-case review.

Our Associations' main concern with the construction of this first test of eligibility were partially solved by P.L. 93-66 providing consideration of the spouse of an eligible individual if the spouse is an "essential person" to the eligible recipient. However, we would point out that the provision for coverage of "essential persons" is tied to the coverage under the previous grant-in-aid programs with no incentives for the states to provide such coverage to new eligibles and/or for the states which did not have an "essential persons" provision under the previous programs to provide such eligibility.

The fact that payments to essential persons requires a case-by-case approach which runs counter to the long-run objectives of the SSI program must be reconciled. Our Associations believe that given the substandard payment level of the basic federal income floor there must be every consideration given to the special needs of the recipient. Although we support the long run goal of the program, we urge a pragmatic approach on this issue to humanize the program to take into account the serious income needs of our nation's aged and disabled.

2. *Resources*.—The impression is often given that the SSI program will provide a guaranteed minimum income to all aged, blind and disabled persons whose income from other sources is below a specified amount. This is extremely misleading since SSI benefits are available only to those persons whose assets—real and personal property owned by him—are below a specified value.

Our Associations find it disturbing that the Congressional mandate was steeped in the rhetoric of the "pauper's oath," and equally upsetting that the regulations conform to the law reflecting this adherence to the "welfare myth".

This demeaning means test—a traditional device in need-based assistance programs as a way of defining need—is hardly a departure from the past. The theory is that a person with non-essential assets which can be converted to cash should use up these assets before turning to the welfare program. The practice is to deter individuals from participation by subjecting them to probing questions and placing the onus on the prospective recipient to prove he is a pauper—hardly a program designed for dignity.

Our Associations would urge repeal of Section 1631(e)(1)(B) prohibiting the use of income and resource declaration as a means of establishing eligibility. If the true goal of the Congress was to make Supplemental Security Income a program to erase the welfare connotations of the previous grants-in-aid programs, the statute might be amended by inserting language directing the Secretary to make the application procedure as simple as possible. Unfortunately, there appears to be little enthusiasm in either chamber of the Congress to make the availability of assistance easy.

In the absence of a firm Congressional commitment to make the program performance toward dignity as straight forward as the rhetoric, let us review briefly the regulations of Subpart I—Resources and Exclusions which conform to Section 1613(a)(1)—(a)(6) of the Act.

Our Associations are most concerned about the valuation of the home as established by § 416.1212. It is our understanding that a number of approaches to establish the reasonable value of a home were studied. Unfortunately, it appears as if the most stringent of these was adopted. The precedent of establishing a home valuation in the SSI program is most important because it is a new hindrance to helping older people. In the previous Old Age Assistance Program, only about one-third of the states set a value limit on the home in which the recipient lives in determining the value of allowable resources. Eighteen states had provisions for recovery of assistance payments through liens on property or claims against the estate of deceased recipients but imposed no home value limit; eight states set value limits on the home property and also had recovery provisions; and most importantly, 17 states had neither type of regulation in respect to home ownership. Judging from the fact that in 1970, 28 percent of Old Age Assistance recipients owned their home—23 percent without mortgage—we are speaking of a sizeable population affected by the valuation provision.

A recent Bureau of Labor Statistics study points out that during the 20 years between 1952 and 1972, the cost of home ownership went up 91.7 percent. Reports indicate that houses in Levittown, New York—the original low-cost housing area—which cost \$6,900 in 1948 are now selling as high as \$40,000. In Miami, Florida, homes which cost \$16,400 in June 1966 cost \$42,100 in January 1973. Reports are similar in most all metropolitan communities. The National Association of Home Builders reports that in the decade 1960–1970, the total inventory of houses increased by 10.3 million (although 6.2 million units were lost to bulldozers, fire, and neglect) while during the same period, there was a 38 percent increase in the formation of households. When these facts are taken into consideration, we are forced to ask how the figures in § 412.1212(a) were calculated.

We strongly oppose the home valuation provision on four grounds: (1) a national value limit may represent a modest dwelling in one area but an imposing residence in another, (2) property values vary depending on market conditions, location, basis for evaluation and other judgmental decisions which themselves are subject to variations, and (3) arbitrary limits hurt those with home values marginally above the limit, and (4) arbitrary limits are static and unchanging in light of dynamic economic activities. Evidence shows that the necessary expenses of home ownership are directly related to home value. If the individual cannot maintain the home, then it is his decision that will change his living arrangement and not the forced disposition of excessive resources.

Although our Associations would recommend the exclusion from resources of an individual's home, we will continue to support even the modest change offered the Senate version of H.R. 3153 to take into account regional valuations in determining home value. We would urge the members of this Committee to use their influence to persuade the House of Representatives to sit down and reconcile the differences between the House version and Senate version of this legislation.

We are equally concerned with § 416.1216 providing for exclusion of household goods and personal effects. Market value is hardly reflective of household goods and personal effects. For instance, how would you value the grandfather clock which was handmade two centuries ago and has been passed on from generation to generation? Wouldn't this priceless heirloom be above the established limit if market value was used to calculate conversion to cash? Although the grandfather clock is an isolated example, most older persons have items in their homes which would have a higher cash value when determined by the market mechanism than if the value were to be set by the individual. Use of market value without considering encumbrances seems to reflect concern over the appearance of affluence rather than a realistic appraisal of excess resources which could be used for living expenses.

The complete regulation concerning the valuation of personal effects is subject to considerable variations in judgment and is likely to be applied only in situations brought to the attention of the Department. To administer such a provision would be costly, and, needless to say, of questionable benefit in relation to cost. We recommend amending § 416.1216 to provide an oral declaration by the recipient that they do not have household goods and personal effects of unusual or exceptional value. Such a declaration, in light of all other prerequisites for aid under the SSI program, should be taken at face value and not contested.

The limitation on valuation of the automobile provided for in § 416.1218(b) would receive the same harsh judgment as the two sections cited above if it were not for the clause "an automobile will be totally excluded if it is used for employment or for the individual's medical treatment of a specific or regular medical problem". Even with this provision, we are constrained to ask why a car value should be set at an arbitrary dollar amount? The dollar amount might be understandable if it were set at the retail market value of a Cadillac—because the provision in the law was only placed therein in response to the rhetoric concerning luxury cars—but, set at the present limit, there appears to be no rationale. Although this regulation is less restrictive than current regulations in most states, it still imposes a demeaning test upon recipients which is not necessary. An SSI level income would hardly permit one to continue payments on an expensive car, or even to meet the cost of keeping such a luxury car running and in good repair. Our Associations recommend redefining the limit at that level which an individual can continue to maintain the vehicle.

Finally, although § 416.1230 appears to be the most liberal of the interpretations of the arbitrary standard prescribed in the law for exclusion of life insur-

ance policies, we must voice objection to the provision and hope that Congress will recognize the folly of such arbitrary low limits. On this latter point, preliminary data collected through our Associations' involvement in Project-SSI Alert indicates that the low limit set by the Congress in determining the asset value of life insurance policies may well be the number one obstacle to elderly participation in the program. Hard data on denials is not available at this time. We would urge this Committee to encourage the SSA to undertake an analysis of resource determinations precluding an applicant's participation in the program. The hard data might confirm our suspicion that older persons will cling to the little amounts set aside for burial expense and sacrifice a few dollars gained under SSI.

As mentioned above, our Associations strongly feel that if the Congress wanted a true departure from past grant-in-aid programs, it would never have passed resource limitations as part of the initial legislation. Our optimum goal is the repeal of this means test on resources which forces the poor to be poorer. Knowing that there are less than a majority in Congress who would favor repeal, we would ask at a minimum, that the resource limitations be tied at least to a cost-of-living index that would automatically adjust the established dollar limits on resources to reflect the value gained through inflation.

3. *Income.*—If the applicant passes the first two tests—being blind, disabled or aged and having few assets or resources—the third crucial test is income.

SSI legislation is specific about the income level which defines eligibility and what income is to be ignored. An eligible individual is defined as one whose countable income is at a rate of no more than \$1,752 a year. A couple is eligible if both are either aged, blind or disabled if their combined countable income is at a rate of no more than \$2,628 a year.

Nationally uniform income exclusions replace the variety of exclusions under previous programs. There is an exclusion of the first \$20 of income from any source, or \$240 per year. During the writing of the SSI legislation, it was generally agreed that this income exclusion would work to the betterment of the individual who was also receiving Social Security. It was estimated that about two-thirds of the individuals converted from the previous programs to the SSI program would benefit from this income exclusion.

Given the huge overlap in the Social Security and SSI beneficiary groups, the question must be raised: What should be done to better coordinate the two programs?

First, let us consider the impact of cost-of-living increases in Social Security benefits such as those enacted in December 1973 and those which will be forthcoming in the new automatic adjustment placed into the OASDI program by P.L. 92-603. Congress must understand that unless some provision is enacted to adjust the \$20 income exclusion under SSI to provide for the "pass through" of the Social Security increase, the poorest beneficiaries on SSI will not be assisted. The SSI program has been designed by law so that payments are reduced one dollar for each added dollar of income about \$20 a month. Raising Social Security benefits to reflect the cost-of-living will mean for the low-income elderly, blind or disabled, that SSI will take away what Social Security gives, with the total income left unchanged.

The suggested remedy—changing the SSI payment level—has already been adopted by the Senate as of June 27, as an amendment to H.R. 8217, however, we must emphasize that to raise SSI benefit levels at the same time that Social Security is increased and/or to enact an automatic cost-of-living adjustment to the SSI program—both measures endorsed by our Associations—the Congress must also consider the problem discussed below of making sure in the high payment states that the benefit is at least "passed through" to the recipient and not absorbed by the state to minimize the assistance costs.

Knowing that the issue of "pass-through" has evoked a bitter reaction within the Congress, our Associations would recommend passage of a measure subjecting the \$20 income exclusion to an automatic cost-of-living feature and thereby circumventing the issue of who pays for the increased supplement in the higher payment states.

Our recommendation concerning the first \$73 per month exclusion of earned income under the SSI program would be to subject this amount also to an automatic escalator geared to the cost-of-living. This would answer the impact of inflation upon the blind and disabled and those elderly who continue to work as part of survival. The amendment to H.R. 8217 on this issue has our support.

At this point, we wish to share with the committee a few of our observations concerning the regulations set forth by subpart K, implementing Section 1612 of the Act.

It has come to our attention from a number of homes for the aged in several states, that the Social Security Administration has ruled that when a person resides in a private retirement home affiliated with a church or private non-profit organization, and has some or all of the cost of board and room paid for him by others, the dollar value of that support, or charity must be counted as unearned income.

In defining income, Section 1612 (a) (2) (A) states that unearned income includes support and maintenance furnished "in cash or kind" to an individual. In computing the amount of cash assistance to be granted to residents of private, non-profit retirement institutions, SSA officials are counting charity or philanthropy as "in kind" income, thereby reducing the amount of such individual's SSI payment. This policy has resulted in many individuals actually receiving less income than before January 1, 1974 and it has also substantially reduced the capacity of non-profit retirement institutions to care for indigent persons. Also, insofar as SSI eligibility determines Medicaid eligibility, many elderly people are losing health benefits as well under this interpretation.

Our Associations cannot believe that the Congress meant for charitable contributions in-kind to be used as countable income. It is noteworthy that the interpretation being placed on this outside "in kind" income applies only to persons residing in non-profit, private retirement homes, and not to commercial homes.

It is our understanding that the Social Security Administration is re-examining the interpretation which they have given this section. We would urge the members of this Committee to express an interest in this issue as we believe that in enacting the SSI program, the Congress did not intend that an aged person's personal needs allowance should be reduced, or that the capacity of non-profit, charitable institutions to care for indigent persons should be diminished.

Furthermore, we would urge the members of this Committee to seek legislative remedy to this situation should the Social Security Administration fail to change its position on this issue.

Furthermore, we would urge the members of this Committee to seek legislative remedy to this situation should the Social Security Administration fail to change its position on this issue.

Our Associations question the interpretation given in the regulations concerning the one-third reduction in payment for a recipient living in the household of another individual. In particular, Section 1612(a)(2)(A) of the Social Security Act of 1972 (P.L. 92-603) does not appear to mandate the regulation as proposed in § 416.1125(d) to reduce payment under the program regardless of whether the individual is making any payment for support and maintenance to the person in whose household he is living. State practices under the current program are somewhat comparable but are more likely to take into consideration the actual financial arrangements of the recipient. Some states have a low payment standard, but not as much as one-third lower, when there are other persons in the home; or, when needs are itemized, the recipient's payment includes his share of the cost of common household expenses if he is expected to contribute toward household maintenance. Reference is made to the one-third reduction in both the House and Senate Reports, and both appear to include the concept offered in § 416.1125(d); however, we fear that for the 20 percent of Old Age Assistance recipients who live in another person's household, this provision will be a step away from dignity and independence and not a step toward a true federal minimum income floor. Reducing incomes for those who are contributing to their own support and maintenance within a household conflicts with the provision of full aid for those who pay for their support and maintenance outside another person's household (subsection e). At stake in this provision is the same older American pride which made Old Age Assistance distasteful; the prondness which compels older persons to contribute their share. We urge that this section be reconsidered to provide for individual determination until such time as the basic authority can be amended. Although individualized determination is administratively difficult, and the optimum would be to reduce this process to the absolute minimum, other sections of the regulations require this individualized effort. Arbitrary rules to avoid the complexity of individualized determination fail to provide the human compassion and understanding which is necessary to maximize the choice of living arrangements available to SSI recipients.

We would urge the Senate to press for final action on Section 130(a) of H.R. 3153 as passed by the Senate to provide for an alternate determination of income in case of an individual living in the home of another person.

Although P.L. 92-603 required the accounting of prizes and awards, proceeds of life insurance policies, gifts, support and alimony, and inheritances as unearned income, our Associations share several of the observations of the Subcommittee on Fiscal Policy that the regulations tend to restrict rather than liberalize the interpretation of the law. In particular, we do not see the rationale for different treatment of inheritances, prizes or awards, and gifts. Noncash inherited property is considered a resource when received; noncash prizes, awards and gifts are considered as income when received and resources again in the next quarter; prizes and awards are income whether or not convertible to cash. If strictly enforced, defining prizes, awards and gifts as income prevents recipients from improving their living conditions and might be a deterrent to friends, relatives and community groups from giving gifts to these persons on holidays. The Thanksgiving turkey basket for the needy is hardly income, nor do we see the festive decoration of a Christmas tree as income; however, the rules if applied would count both of these against recipients. We would favor the adoption of a general rule which treats all such irregular, one-time receipt of cash or inkind items as resources rather than income; however, in lieu of the statute requiring the accounting of these items as unearned income, we would favor clarification of non-cash versus cash receipts of occasional income to exclude nonconvertible items.

STATE-FEDERAL RELATIONSHIP

Speaking before the Virginia League of Social Service Executives last Fall, Irving Engleman of the American Public Welfare Association asserted:

The Supplemental Security Income program has been referred to in various misleading terms as the "takeover of the adult categories," "the replacement of the adult categories," "the federalization of the adult categories," etc.—the implication of those characterizations being that somehow, come January 1, 1974, there would be no more state and local responsibility of any kind with respect to aged, blind and disabled persons, and that somehow the Feds, specifically the Social Security Administration, had a lot of push-buttons in Baltimore and Washington which would take over and replace everything that states and local structures over a period of many years have been trying to develop in terms of welfare services (not limited to social services) for ABD persons.

Continuing on a point which is essential to discussions concerning SSI, Engleman declared: "The reality is that the SSI program is not, certainly now, a complete takeover or complete federalization in any way of the complex structure of financial assistance and related services for ABD individuals."

In our prepared statement to this Committee last Summer, prefacing our views on Future Directions in Social Security, we pointed out that in enacting the Supplemental Security Income Program, Congress sought to build upon the existing three-level approach to income security—first level being Social Security, a universally available system of publically-administered retirement, survivors, disability and health insurance protection, contributory in nature and wage-related—the second level consisting of savings, private retirement systems and other benefit programs growing out of one's employment—the third, a public program of assistance for those who, taking all income into account, still do not have an income sufficient to meet their minimum needs. It was on this third level that Congress built the Supplemental Security Income Program.

SSI is steeped in the federal principle, that both the federal government and the states have a responsibility to those who do not have an income sufficient to meet their minimum needs. Thus, the Congress in enacting the law, clearly contemplated a partnership in which the basic SSI benefit would be an income floor which each state could build upon in various ways. This point is essential to an understanding of the SSI program, inasmuch as many of the pitfalls in the implementation can be traced back to the statutory provisions.

Supplementation

For many states, the federal floor set in the SSI program is one that goes beyond and is above the prevailing level of income maintenance payments of recipients of the previous grant-in-aid programs in those states. For most states, however, the prevailing level under the previous programs for most or many recipients was above the federal level. These states would be encouraged to supplement the federal payment.

Originally, state supplementation was entirely optional. Every state could make a decision to supplement or not to supplement, how much, what kinds, how

it would administer the supplementation, and so forth. The important inducement offered to higher payment states to undertake such supplementation—assumption of costs above the calendar year 1972, state expenditure level, i.e. the “hold harmless limit”.

By early Summer of 1973, it had become apparent that the incentive offered by the original act to state government for undertaking supplementation of the SSI basic grant was insufficient in many states to achieve the desired supplementation. A survey of state welfare departments and legislative leaders conducted by the American Public Welfare Association in May and June of 1973 found 15 states definitely intending no supplementation of SSI and a large group in which supplementation plans were uncertain.

Congress, recognizing the possibilities that a number of states planned to maximize their potential savings under the SSI program by providing no supplementation of the federal minimum payment, enacted P.L. 93-66 mandating the full supplementation necessary to prevent income reductions below the June 1973 payment levels for all persons actually receiving adult-category assistance payments in December 1973. Thus, in effect, all previous recipients were grandfathered into the program at a payment level pegged to the previous standard in effect in the state where they lived. Beyond that, any supplementation of new eligibles coming on the roles after January 1 remains optional with each state.

The issue of state supplementation of the basic federal SSI benefit raises a number of policy issues which this Committee should explore.

Dr. Bickel in his study offers a simplified explanation of the federal-state cost sharing formula, i.e. the “hold harmless” formula, which is pertinent to our discussion:

... It might be said that the states are provided with protection against “horizontal” sources of cost increases in SSI supplementation programs but not against “vertical” sources while for the federal government, the reverse is true. That is, beyond their “hold harmless limit” of expenditures, the states are finally protected against expansion of costs resulting from the immediate enlargement of the recipient group under the relatively liberal new SSI eligibility criteria and from future growth of the recipient population (what might be termed “horizontal” expression). The federal government, by contrast, is liable without limit for cost expansion attributable to growing recipient population, but is strictly protected against the “vertical” cost expansion caused by any future increases in state standards of income support—with the one exception of the state’s option to increase the supplementation standards through the “cashing out” of recipients’ food stamp bonus values.

What Bickel is getting at is the fact that Congress has established within the SSI program a seed that could cause the stagnation of payment levels at a sub-standard level and one which certainly can cause the lowering of the average income support standards in a number of higher paying states.

Over thirty states have raised their adult payment standards since January 1972, the base date of the formula for cost-sharing within the Title XVI program. At least twenty of these states had at the close of 1973 a payment level above the basic federal floor of the SSI program. In all these latter states, supplementation of the basic SSI grant will be required. In order to provide supplementation to all eligible recipients at levels equivalent to the recent assistance payment standards in these states, approximately half of them will find it necessary to increase their state and local expenditures for adult assistance above calendar year 1972 levels.

The hold harmless formula will not protect these latter states against such increases, owing to the two-year lag in the base period established for the Adjusted Payment level. In these states, the requirement for mandatory supplementation of individuals converted from the previous grants-in-aid programs has confronted them with the possible necessity of not supplementing all recipients to the payment standard, thus establishing a discriminatory “two tier” system of income supplementation as between their mandated and non-mandated recipients—double standard of supplementary income support within the same state.

There are two possible alternatives which should adjust this discrepancy, either change the base date of the Adjusted Payment level or make the Adjusted Payment level subject to a cost-of-living index. Both of these solutions have the effect of shifting a burden of the supplementation costs to the federal government.

If the base period for calculating the Adjusted Payment level were updated from January to December of 1972, the issue would be resolved for the present

moment. However, this remedy provides little long-range assurance that the issue of future supplemental raises of benefits would be shared. The solution which our Associations would recommend is the second option, tying the Adjusted Payment level to an automatic cost-of-living index, thus assuring continual adjustment of this component of the spending formula.

The failure of the Congress to provide some formula for assuring the recipient would receive increases in the basic SSI federal floor in addition to the state supplement has further compounded the program in high payment states.

Under present law, there is no assurance that these increases will be "passed through" to the recipient of the federal-state supplementation payment. Instead, the increased federal payment may be retained by the state government to prevent it from spending above its hold harmless level. Congressional debate in both the House and Senate would indicate that a strict "pass through" formula with the cost being absorbed by the federal government, would tend to keep wide variations in payment levels and is unacceptable to a majority of each Chamber.

Recent Senate consideration of a formula to share costs for the "pass through" shows this formula more acceptable. In light of the fact that both of the SSI increases enacted to date—one which took effect January 1 and one which took effect July 1—were not passed on to recipients in eight states, our Associations would urge the Congress to expedite action on a "pass through" formula. Our concern is that the recipient receive the cost-of-living increases in benefit. Without the modification forcing the "pass through" of benefits, the SSI program will work toward a standardizing of basic public income support in our nation at a totally inadequate and substandard level. We would therefore urge the members of this Committee to support enactment of a shared federal-state liability for "pass through" provisions as suggested in the bill introduced by Senators Mondale and Humphrey. We are pleased to note its attachment as an amendment to H.R. 8217 with the support of Finance Committee Chairman Russell Long.

Beyond the pass-through provision which our organizations support, this Committee might also consider the advisability of requiring the states to cost-index the supplementary payments being made to SSI recipients—at least for those recipients with respect to whom supplementation was required as a result of Public Law 93-66. It is not enough to be concerned with the total number of dollars in SSI payments; purchasing power preservation is also a crucial factor. Even if the federal SSI payment were cost-indexed, as that payment would be if H.R. 8217 were enacted, and even if cost-of-living adjustments with respect to the federal payment were passed through for the purposes of state supplementation, the purchasing power of the state payment would remain subject to the effects of inflation.

SSI—AN ADEQUATE INCOME?

Recognizing the quality studies of this Committee concerning the corrosive effect of inflation on the purchasing power of the elderly, there is no need for our Associations to dwell on the impact. Suffice it to say that the 10.2 percent increase in the cost-of-living during the past year has caused all Americans to suffer, but those who suffer most are the aged poor, the blind and the disabled who must eke out an existence on fixed incomes which do not grow as the economy expands.

Payment Levels

In our statement before this Committee last summer, we emphasized that it is the feeling of our Associations that the income floor guaranteed by the Supplemental Security Income program should be pegged at or above the poverty level. This position was discussed during our Legislative Council meeting to formulate our 1974 Legislative Objectives and State Guidelines, and, we would like to share with you at this point the recommendations adopted by this policy arm of our Associations, composed of voluntary experts reflecting the views of our membership:

(23) We urge that Supplemental Security Income for the Aged, Blind and Disabled provide eligible persons with an annual benefit amount not less than the low-income level established by the Social Security Administration.

(24) We urge that, for purposes of establishing the low-income level to which the amount of SSI benefits should be related, a low-income index be established that takes into account variations in the cost of living not only between urban and rural areas, but also between states and regions within states.

(25) We urge that SSI benefits and the income and resource exclusion amounts be increased automatically to reflect increases in cost of living.

These recommendations are clear—the annual income floor provided by the SSI program is substandard and will remain substandard until the Congress acts. We feel that it is not too much to ask that elderly, blind and disabled persons be guaranteed an income sufficient to lift them from poverty. SSI benefits should provide an income at least equal to the “poverty threshold” and the limited Social Security benefits and earnings which recipients are permitted to retain should be used to raise them to an income above this level.

An immediate step which the Senate has recognized and which is again being considered is to provide for an automatic cost-of-living increase in the SSI program to accompany such increases under the Social Security program. As we have pointed out elsewhere in this testimony, such an increase cannot be guaranteed to the individual recipient without adequate provision for “pass through” in the program. At the same time, as we point out below, the Congress should consider the impact of the cost-of-living adjustment on other social programs and make certain that no recipient is denied needed services because of the marginal increase in income. What we are asking might be the impossible, but it is the necessary, and that is for the Congress to give some thought to the total picture of assistance programs and not to continue the makeshift “change-one-change-another” approach which has been practiced for decades making our domestic programs a patchwork of inconsistencies and bureaucratic contradictions.

The one lesson which we should have all learned from the implementation of the Supplemental Security Income Program is that you cannot change the income maintenance aspects of assistance without a corresponding change in the service programs. We refer members of this Committee to testimony which we have delivered in the past for further reference to the stance of our Association. But, what is needed immediately is passage of S. 3588 which assures that the elderly do not lose other essential benefits—food stamps, Medicaid, public housing and veteran's pensions—when their income rises due to a social security or SSI increase.

Once the federal SSI payment and the income and resource exclusion amounts are cost-indexed, we would urge that the federal payment guarantee to the SSI recipient at least a poverty-lead income. The cost-indexing will assure that this position is maintained.

Certainly, there are many impediments to achieving this goal. Cost is a problem. The appropriate index to be used for the purpose of cost-indexing is another. Despite these problems, however, constant pressure must continue to be applied in order that the incremental and perfecting changes will be made in the program.

CONCLUSION

An increased effort must be made to assure that all aged, blind and disabled persons potentially eligible for benefits under the SSI program must be brought into the program to receive the benefits to which they are entitled. While the removal of the SSI resource test would be desirable, liberalization of resource test regulations and the cost-indexing of resource test amounts and exclusions would be acceptable. The income exclusions should likewise be insulated against inflation.

With respect to the federal SSI payment, the amount should be set at a level not less than the poverty threshold as that term is currently defined. As a compliment, the federal SSI payment should be cost-indexed to preserve the purchasing power of SSI benefits over time. Finally, in order to preclude cost-of-living increases in the federal SSI payment from inuring to the benefit of those states which are supplementing that basic payment, those states should at least be required to pass-through such increases.

Appendix 2

LETTERS AND STATEMENTS SUBMITTED BY ORGANIZATIONS AND INDIVIDUALS

ITEM 1. LETTER FROM RUTH R. HOUGHTON, MARICOPA COUNTY LEGAL AID SOCIETY, PHOENIX, ARIZ.; TO SENATOR FRANK CHURCH, DATED JULY 12, 1974

DEAR SENATOR CHURCH: Since I cannot attend your Committee's hearings on July 15 and 16, please permit me to submit some information about S.S.I. problems in Arizona for the Committee's consideration.

A program which was described as beginning of guaranteed minimum income for needy adults has turned out to be nothing more than a federally administered welfare program—but one that is lacking the immediate remedies that were available when adult public assistance categories were administered locally.

The safeguards put into the law by the Congress to minimize hardships during the conversion period have been made inoperative by administrative regulations handed by Secretary Weinberger. Allow me to cite some examples:

Presumptive Eligibility—Our local Social Security Administration officials, following instructions from Washington, will not "presume" an applicant to be disabled if he has two limbs missing—he must have three limbs missing, or have two limbs missing and be deaf to qualify as a "presumptively eligible person".

Emergency Assistance—Emergency payments require 8 working days to process.

Payment is authorized by the local Social Security office, which then:

Sends the authorization to San Francisco for approval, which then:

Sends approval to the Treasury office in Birmingham, Alabama, which then:

Mails an emergency check to the recipient—if there are no problems with approval, personnel, or computer.

Redeterminations—Arizona transferred 24,000 individuals over to S.S.I. in January 1974. These persons were "grandfathered" into the program under rules existing in the State Plan prior to the changeover. However, their continuing eligibility is being evaluated under Social Security Administration rules, which in many instances are more restrictive—especially for the disabled. For example, an unemployable disabled widow could qualify for assistance payments under A.P.T.D. The same woman cannot qualify as a disabled widow for S.S.A. or S.S.I. if her usual occupation has been that of housewife in her own home, and if she can keep her own house without the aid of a paid housekeeper. Such a person now is thrown on local relief rolls with no federal participation in her maintenance.

Work Load and Staffing—Between January 1, 1974 and April 1, 1974, 6,788 new S.S.I. applications were taken in Arizona. Between now and June 1975, Social Security representatives must redetermine eligibility of the 24,000 persons transferred, in addition to that of the new applicants who have been approved for S.S.I.

The increased work must be handled *without an increase in staff*. There is a freeze on hiring within the Social Security Administration in Arizona. As positions become vacant through transfer or resignation, they cannot be filled. Arizona has 14 less Social Security positions now than it had at the time of the conversion to S.S.I. in January. *However*, the permanent staff can work unlimited overtime with time and one-half pay!! This seems a questionable way to operate an agency and to serve the public.

Hearings and Appeals—Suspensions of S.S.I. payments without prior notice were occurring in large numbers until a Federal District Court ordered the Secretary of H.E.W. to stop the practice. Now, however, notice of suspension is being given verbally in many instances, although initiation of an appeal is not possible without a written document to verify the suspension.

The first local, Maricopa County hearing on an S.S.I. case was held on July 8, even though many requests for hearings have been filed since the law went into effect in January. Secretary Weinberger is taking the position that the case law which grew up around categorical aid programs does not apply to S.S.I. The delay in scheduling hearings appears to deliberate and part of a policy designed to prevent the establishment of precedents.

Since H.E.W. specifically refuses to pay costs of transportation, independent medical evaluations, or legal services to S.S.I. appellants, a crushing work load has fallen on legal aid attorneys, who are ill-prepared to undertake the extremely complex medical-legal problems involved in disability cases. Because Social Security Disability cases are "fee generating" legal aid attorneys are not permitted to accept them. Legal aid attorneys are therefore inexperienced in that area of practice.

I believe that Congress intended to improve the situation of our country's needy aged, blind, and disabled adults when it enacted the Social Security Amendments of 1972. I hope that you and your committee will examine the policies and practices being followed in the administration of the Supplemental Security Income program to assure that the intent of the Congress be carried out.

ITEM 2. LETTER FROM MISHEL PIASTRO, JR., CHAIRMAN, CALIFORNIA COMMISSION ON AGING, SACRAMENTO, CALIF.; TO SENATOR FRANK CHURCH, DATED JULY 17, 1974

DEAR SENATOR CHURCH: On behalf of the California Commission on Aging, which under state law has vested in it the responsibility for advocacy on behalf of California's senior citizens, I would like to make the following remarks for inclusion in the record of the hearings the Committee is holding on the Supplemental Security Income program.

Of major concern is the serious understaffing of Social Security Offices in the state. With the increase in workload resulting from SSI applications, local district offices have been unable to make timely eligibility determinations. Referrals from SSI-Alert projects in some areas will not be handled for several months. In addition, persons making application must wait several hours in some offices or return at a later time, due to the unavailability of staff to assist them. This is especially difficult for the elderly, blind and disabled who have transportation problems and physical conditions which make such waits and delays a serious hardship. Increased staffing of hard-hit offices would be an important step in correcting the situation which affects thousands of applicants.

The SSI-Alert program has received extensive publicity for its efforts to locate potentially eligible recipients. For future programs of this type we would recommend that reliance not be placed on volunteer efforts, but on outreach workers who are paid by the responsible government agency. SSI-Alert in California experienced serious difficulties because of the inability of projects to obtain and sustain volunteer activity at an effective level. In addition, the timing of SSI-Alert caused serious problems: the projects got underway at the beginning of this year when Social Security offices were being overwhelmed by SSI inquiries and applications as well as by problems raised by the transfer of responsibility for adult aid from the state to the federal government. Referring more applicants to Social Security district offices, when they were unable to handle the workloads imposed by assumption of the SSI program, created hardships for everyone involved. In Los Angeles recently, one district office estimated that it would be six to nine months before they would be able to process SSI-Alert referrals.

Legislative action to require eligibility determination and check issuance within sixty days from the initial written application would ensure that applicants receive benefits within a reasonable length of time. Applicants are permitted a one-time-only emergency advance payment of \$100 in certain instances. Thus, if determination procedures are lengthy, the potential recipient must simply go without after the \$100 advance.

The Commission would also strongly support legislation to pass on Social Security cost of living increases to SSI recipients who also receive Social Security. As I am sure you are aware, Social Security increases are not being realized by SSI recipients. We would also recommend that a cost of living increase tied to the consumer price index be included in the Supplemental Security

Income program and that such cost of living increases be passed on by states with state supplements. Both of these changes would help make SSI a viable income for the poor, blind, disabled, and elderly.

The \$25,000 limit on the fair market value of a home used in determining eligibility for SSI is of concern to us. Inflation has revalued modest homes in many areas into the over \$25,000 bracket. Therefore, low-income elderly persons whose income levels and other resources would qualify them for SSI find themselves ineligible. Raising the limit on allowable home value would alleviate this problem. California now places no limit on home value, but SSI applicants who would, except for the value of their home, qualify for benefits must go to their local county welfare office to apply for them.

Loss of an SSI check, either through theft, mailing error, or personal loss, creates a hardship for the SSI recipient. At the present time, if a recipient fails to receive his check or loses it, the district Social Security office must refer the problem for further investigation to Birmingham, Alabama where the check was issued. This procedure may result in a delay of three weeks or longer. We would propose that an affidavit signed by the SSI recipient be sufficient to re-lease a duplicate check, eliminating the long delays and accompanying hardship.

Categories of presumptive disability are extremely narrow due to stringent federal interpretations. A person may be declared presumptively disabled only if he is missing two limbs, one leg to the hip, or is totally deaf. If one is not presumptively disabled, the process of getting SSI benefits due to disability is extremely long. Expansion of presumptive disability categories would assist the disabled to get benefits within a reasonable length of time.

The Social Security Administration regards couples who hold themselves out to the community as man and wife, to be married for purposes of determining benefits. When such a couple separates, SSA continues to give them couples benefits for six months after separation rather than changing to single persons benefits immediately. This results in two unlivable incomes for the persons involved. In California, couples benefits are \$440 while single persons benefits are \$235. Recognizing separations when they take place or within a month from that time would provide the individuals affected with the means to maintain themselves separately.

We will look forward to improvements in the SSI program as an outcome of your hearings and would appreciate receiving a copy of the final transcripts.

ITEM 3. LETTER FROM MARGARET H. JACKS, DIRECTOR, DIVISION OF AGING, DIVISION OF HEALTH AND REHABILITATIVE SERVICES, TALLAHASSEE, FLA.; TO SENATOR FRANK CHURCH, DATED JULY 10, 1974

DEAR SENATOR CHURCH: This report is being submitted in answer to the request from Mr. James J. O'Malley, Deputy Director of the New York State Executive Department Office for the Aging. The report consists of a statement on Florida's experience with Phase I of the S.S.I. Alert.

Our projects didn't begin on any one date, and although the beginning date had been set at January 1, 1974 it wasn't until February 21 that S.S.I. Alert funds were actually in the hands of the two American Red Cross Divisions, involving fourteen Chapters' S.S.I. Alert Projects. In areas where Red Cross did not accept Plan A responsibility, where we had no Areawide Agencies on Aging, Division of Family Services, Department of Health and Rehabilitative Services, was able to get to work March 1. The progress of S.S.I. Alert projects was no better, in every case than the willingness and ability of each District Office of Social Security Administration to cooperate with the local S.S.I. project director. In several cases (which can be documented, if necessary) the S.S.A. District Manager seemed to think the S.S.I. Alert a nuisance, an interruption of their usual routine and a confounding of their already confused state due to the overwhelming task of conversion to S.S.I. rolls. Naturally, this situation was reflected in training of volunteers which was mandated as a S.S.A. duty, combined with some input from American Red Cross. In some few areas, S.S.A. did such an inadequate training job, that, after the initial training session, the S.S.I. Alert project took on subsequent training sessions rather than have the S.S.A. do an inadequate job. Naturally, I am mentioning, first, the exceptions to the rule which was adequate cooperation from S.S.A. In a very few areas there was actually *enthusiastic* cooperation on the part of S.S.A.

The whole area of transfer or "conversion" from State Old Age Assistance to S.S.I. was a nightmare! It seemed as if S.S.A. was trying to do a job requiring the most sophisticated computers while using an abacus and the fingers of two hands. I have been told by several S.S.A. District managers that there are daily problems with conversions and new referrals (through the efforts of S.S.I. Alert) without even considering what will happen when the volume of new referrals appears as a result of the mail-out to individuals on print-out lists, finally released in June. This last fact is scandalous, to say the least! While the S.S.A. argued back and forth since March as far as we know, with the Commission on Aging about the legality, date and manner of release of the print-out, potential recipients were telephoning, walking, limping, riding, rowing (where no other transportation was available) to the S.S.A. offices to try to get information, after having been contacted by out-reach workers in S.S.I. Alert. No firm assurances rewarded them. On the contrary, along came the news that Food Stamps for S.S.I. recipients would be denied by June 30 unless the laws were changed. When this fact was learned, in some areas, it became impossible to get volunteers to go out to find possible S.S.I. eligibles—this was the volunteer's way of expressing dismay at the Food Stamp situation. All S.S.I. Alert projects and consortium organizations sent cards, telegrams, and letters and were glad to see the necessary legislation passed at the eleventh hour. The fact that we do not *now know*, and may never know how many potential clients resulted in determined eligibles does not make the volunteers involved happy with having participated. Even in the small matter of recognition certificates for volunteers (poor reward, indeed for service well-informed!) the S.S.I. Alert national organization failed to keep its promise, and, in Florida we had make-shift certificates from American Red Cross and Division of Family Services in their respective jurisdictions.

I am firmly convinced that the people of this state would have been better served if the whole effort to find S.S.I. eligibles had been administered through the S.S.A., with the aid of the Division of Family Services, both of which organizations had prior knowledge of clients likely to be eligible for S.S.I. benefits, especially if the granted funds could have been applied to temporary employees' salaries and logistic support in each District office.

In spite of what may seem to be too negative a report, there were several important positives that emerged from the Florida S.S.I. Alert experience. In large part, the experience of working with consortium organizations was an education for project directors and a great help in publicizing the program and becoming accepted by hard-to-reach possible eligibles. In one area, a local N.A.R.F.E. retiree received a state award for his tireless work in the S.S.I. Alert. I believe the Florida image of the American Red Cross was enhanced by the quality of involvement of the Chapters. I know, first-hand, that the South Florida Division of American Red Cross administered and performed in an exemplary fashion, producing large numbers of referrals in a large, diverse, bi-cultural area and performing with efficiency, economy, and initiative. This division deserves special praises. In the same area of acknowledgement, Region IV, Administration on Aging, Health, Education & Welfare, Atlanta, deserves special thanks for cooperation and help.

ITEM 4. LETTER FROM JAMES A. BAX, DIRECTOR, DEPARTMENT OF ENVIRONMENTAL AND COMMUNITY SERVICES, BOISE, IDAHO; TO SENATOR FRANK CHURCH, DATED JUNE 19, 1974

DEAR SENATOR CHURCH: I would like to offer the following summary of the problems our Department has had with the Bureau of Supplemental Security Income since the SSI program's inception. I am including several statements made by SSI recipients in Idaho regarding their personal problems with this program.

Initially, our Department signed a State Data Exchange (SDX) agreement with the Bureau. We were to be supplied with daily updates from SSI's computer center, and with computer printouts noting SSI changes affecting our own state supplement. The BSSI has failed to uphold its part of the agreement. We are not receiving daily information and much of the information we do receive is erroneous requiring extra staff time to correct it.

An additional concern is the Bureau's failure to respond to the needs of Idaho's Supplemental Security Income recipients by making timely and accurate payments. At this date we are still experiencing cases of reduced, inaccurate, or non-existent payments due those who have been eligible since January.

Our staff has spent more time straightening out BSSI's mistakes and explaining payment errors to the aged, blind, and disabled, than it was when Idaho administered the program itself.

It is our contention that the Bureau of Supplemental Security Income knew months in advance of the January, 1974 starting date, that the program would not be operational at that time. A delay of even six months would have allowed another transaction from state to federal administration and probably prevented the sort of hardships that Idaho's aged, blind, and disabled have had to endure. The following examples of payment error caused by the Bureau of Supplemental Security Income are taken from discussions with SSI recipients. The recipients will, of course, remain anonymous.

1. Mr. A was grandfathered into the SSI program in January. At that time he had an essential person living in his household who was included on his public assistance grant. SSI did not know how to program a grant with an essential person, even though they are included in the program, and Mr. A did not get a check for three months.

2. Mr. B's wife was receiving a Social Security benefit on the account of her disabled father. The benefit continued after her marriage to Mr. B. His Supplemental Security Income check has fluctuated widely from month to month because SSI cannot decide how to treat his wife's Social Security Income. He gets a check one month, then the following month SSI decides that he's not eligible. The next month he receives a much reduced check. This has caused a hardship on the family as they never know from month to month what income will be available.

3. Mr. and Mrs. C received several SSI checks. Then SSI decided that they had been overpaid (due to an SSI error). SSI then recouped the overpayment from future checks, so the couple received a much reduced payment. This same situation has happened to many recipients and is grossly unfair, since SSI committed the original error. If SSI must recoup payments when it has erred, it should not be done by automatically reducing future checks with no regard for the recipient's unmet needs.

4. Mrs. D separated from her husband in late December. Under SSI regulations, a separated couple are not treated as individuals until six months has passed. Mrs. D has no income but her husband received a pension. Half of the income from the pension was deemed to Mrs. D, who actually had no access to it. Thus, she received less than \$50.00 from SSI while the expense of her single living situation greatly exceeded her income.

These are just a few examples of the problems generated from the Bureau of Supplemental Security Income which affect the people of Idaho. I am looking forward to learning the results of your hearings and I am certain that Idaho's concerns will be well represented.

ITEM 5. LETTER FROM CECIL D. ANDRUS, GOVERNOR, STATE OF IDAHO, BOISE; TO SENATOR FRANK CHURCH, DATED JULY 8, 1974

DEAR SENATOR CHURCH: I would like to take this opportunity to comment upon the Supplemental Security Income Program and its effect upon Idaho's citizens.

When the Idaho Department of Health and Welfare signed a State Data Exchange (SDX) agreement with the Bureau of Supplemental Security Income, it was to be supplied with up-to-date data on payment amounts and other changes which would affect Idaho's supplementation of SSI. This data has not been received with the regularity and accuracy promised by BSSI. Much staff time has been consumed in adjusting erroneous payments and in explaining SSI errors to Idaho's disabled, blind, and elderly.

The SSI program did not appear to be geared to serving the public when it was implemented in January of 1974. This was a source of hardship for many Idaho citizens.

The following are some actual instances wherein SSI has failed to function on behalf of Idaho citizens. These examples are presented for your use in upcoming hearings.

1. In one field office of the Department of Health and Welfare, over twenty SSI applications are still pending from April of 1974. SSI does not let the Agency know when a case has been approved, so a representative of our Department of Health and Welfare must call weekly or more frequently to check on approvals and rejections.

2. There have been numerous cases in which eligible individuals have not received checks for up to three months.

3. One individual should have been grandfathered into the SSI program but did not receive a check until our Eligibility Examiner submitted a second Conversion Date Record (CDR) to SSI.

4. Another lady applied for SSI on 11-28-73. Her eligibility for SSI was not determined until 6-25-74. She did receive a retroactive payment of approximately \$800.00 but that went to repay loans she had been living on for seven months while SSI determined her eligibility.

5. The above lady's case is by no means unique. Consider the following time-lags:

<i>Application date</i>	<i>Determination date</i>
January 29, 1974	June 25, 1974
January 29, 1974	June 7, 1974
December 13, 1973	June 10, 1974
January, 1974	May 20, 1974
January, 1974	June 7, 1974

These gross delays certainly indicate a problem within the Disability Determination Unit of the Bureau of Supplemental Security Income.

6. SSI has not developed a capacity for responsiveness to the needs of its clientele. One individual did not receive her check at the usual time. She requested an emergency payment and received it—three weeks later. The emergency was, by then, much more acute.

7. In another case a gentleman had an illness which could be corrected by surgery. He applied for a temporary disability benefit. By the time approval came through, he was back at work without the benefit of Medicaid to help with his many medical bills.

8. The case of three widows came to our Department of Health and Welfare's attention. They were entitled to SSI benefits. Unfortunately, their names were deleted from the payments lists at the same time as those of their respective deceased husbands. This resulted in problems for the ladies when they had to get their checks reinstated.

These are just a few examples of the delays and errors caused by the Bureau of Supplemental Security Income in the operation of its program in Idaho. I will be interested in hearing the results of your efforts in this matter on behalf of our state and its people.

ITEM 6. LETTER FROM JOHN FOLTZ, SSI-ALERT COORDINATOR, HEALTH AND SOCIAL REHABILITATION SERVICES ADMINISTRATION, DIVISION OF HUMAN SERVICES, STATE OF LOUISIANA; TO SENATOR FRANK CHURCH, DATED JULY 12, 1974

DEAR SENATOR CHURCH: Generally speaking, the program in Louisiana was successful. We have eight districts, and the volunteer program in all of these was handled through the Red Cross offices. They worked with the same district Social Security offices. Both organizations were most cooperative.

Statistically, I believe Louisiana was estimated to produce 24,000 "new" people eligible for SSI benefits. About 34,000 new applications were received with at least 20,000 being put on the rolls in addition to the 129,000 "converted" from State assistance.

Louisiana was already pretty well saturated with old age recipients, but we found a big field among the disabled, mentally and physically, under 19 years of age.

The most successful areas were the ones who early organized a consortium of various agencies and organizations for the elderly, and kept it active with monthly meetings and participation. The least success was obtained in areas where there was no cooperation, even jealousy, between agencies and groups, and weak organization.

The ridiculous part is that there was a "Phase II" after the "Alert." There is no good reason why these two efforts could not have been combined and months ago. Somebody at the federal level goofed in planning.

To begin with, they set the Red Cross effort up for six months beginning 1/1/74, but only sent us enough money to fund them for 90 days. Before 3/31/74 the Red Cross asked us for additional time and funds to complete the job. We

relayed the request to the Federal Regional office. They never could get a definite answer from Washington until finally a letter was received by us advising Model Project funds available and urging that part be used for SSI Alert.

We immediately notified the Red Cross and asked for new budgets and time required. Requests were in for additional time from six weeks to ninety days. Then the Federal Regional office called and said don't count on our money—might not be available after all! Fortunately, some Red Cross offices had a surplus from the first ninety days, and we were able to spread this around.

Then Phase II was announced, and we were told to include at least 50% of our original funds in the Model Project funds for SSI; that the Social Security would send out letters to a "lead list" and they would need the Red Cross volunteers to follow up. The Red Cross quite properly advised their program was phased out.

We made arrangements for other "outreach" workers. Following instructions from Washington, we contacted the Social Security offices to let us know when the volunteers were needed. They advised they would not now be needed as the Federal government had authorized the SSA temporary help to work on the lead list!

The SSI Alert program has been very helpful to the elderly in our state. First, the financial benefits for the people now receiving the much needed checks. Secondly, because of the publicity not only from the media but by word of mouth, many more people in the state are now aware of and concerned with the problems of the elderly. This makes their position more tolerable and also means more support for our various programs for the aged.

ITEM 7. LETTER FROM GWEN M. BEDFORD, PRESIDENT, SENIOR CITIZENS COUNCIL OF GREATER PHOENIX AREA, PHOENIX, ARIZ.; TO SENATOR FRANK CHURCH, DATED JULY 13, 1974

DEAR SENATOR CHURCH: We understand that your Committee is holding Hearings on the operation of the SSI program. From our viewpoint, the major problem areas are the following:

1. The income provided under the program leaves many eligibles far below what has been defined as the poverty level by the Federal Government;
2. Arizona passed legislation in May 1974 providing some minimal medical and other survival assistance supplementing SSI; however, a bill which provided for the use of the federal poverty level in needs determination for welfare recipients (introduced by the House Minority Leader) died in Committee; the State is just not doing its job in supplementation; and
3. Delays and/or foul-ups in payments are all too common—the result of the heavy workload of the Social Security Administration.

On paper, the shift to the Federal level to effect uniformity in assistance payments was and still is a good, sound idea. Arizona, however, is a non-people-oriented state and has a long history of: (1) making believe that welfare problems do not exist; (2) appropriating money for welfare programs and then taking steps to insure the reversion of "the surplus" to the General Fund at the end of the fiscal year; and, (3) computing needs determination on a base that makes even an approach up to the poverty level impossible. In contrast to other states which provide decent supplementation for SSI recipients, the shift to the Federal level has provided the power sources with an excuse for maintaining the status quo. Even with our gain of Medicaid after an 8-year holdout, we face a long uphill fight to get our indigent and low-income elderly up to subsistence in assistance for other than medical needs.

Assigning SSI to the Social Security Administration may have seemed logical when the SSI legislation was drafted, but it has certainly turned out to be a bad decision from a practical standpoint. We have watched some of the Social Security people here (with help from the Arizona Dept. of Economic Security) make heroic efforts, but the load is just too much added to the burden they already had.

Moreover, the SSI Alert fell more or less flat on its face in areas of high population density, again, despite the valiant efforts of many people, including the many senior volunteers who participated. In such areas, the job was just too big for the provisions for its execution and there are still eligibles among the isolated elderly who are in dire need and have not applied.

When people are on their uppers for cash to survive on, delays and lack of information on sources of help are not simply an inconvenience. More often than not, they are a matter of life and death.

As we are sure you are doing, this whole "system" must be reexamined in terms of: (1) the realities of life in areas where people-needs have the lowest of priorities; (2) effective provisions for locating eligibles in concentrated populations; and, (3) shifting program administration from the current overload conditions to a setup that is consistent with sound management and effective service patterns.

**ITEM 8. LETTER FROM VINCENT A. MARCHISELLI, BRONX, N.Y.; TO
SENATOR FRANK CHURCH, DATED JULY 16, 1974**

SENATOR CHURCH: I wish to submit the following testimony in the hope of influencing the future direction of Supplemental Security Income:

The Federal Government has provided cost of living increases twice since January 1974 to the aged, the blind and the disabled. Each time, the New York State Department of Social Services in defiance of the law's intent has decreased by a like sum—a total of \$16—its SSI payments to the aged, blind and disabled.

New York State's Department of Social Services has done this without any clear directive from either the legislature or from the governor who have allowed a civil body without any legislative power to legislate against the interests of the helpless.

There is a second problem: SSI, which in part was enacted to simplify welfare program administration, is now so thoroughly complicated that almost nobody in my State understands the program, and that includes most of the people who administer it. On the other hand the few administrators who do understand it seem dedicated to seeing the new program fail.

Although I understand it is not your committee's purpose to write new SSI legislation, I urge Congress, by whatever means required, to compel the State of New York and other recalcitrant states to pass along all the cost of living increases that the Federal Government provides. I would make any new law retroactive, to include the two increases denied by New York's Department of Social Services.

If Congress does not revise the law immediately, the problem of survival for the aged and infirmed will become catastrophic. That is no exaggeration, not when so many people today are compelled to eat dog and cat food or literally starve.

If the Congress cannot—or will not—act to make New York State conform to the spirit of the SSI law, I promise that if I am elected to the New York State Assembly, my first legislative proposal will be to remedy my state's deliberate and cynical abuses of the Federal law.

But by then—several months away—it may be too late.

I hope this submission will encourage early action by both Houses of Congress.

**ITEM 9. LETTER FROM ROBERT B. ROBINSON, DIRECTOR, DIVISION
OF SERVICES FOR THE AGING, STATE OF COLORADO, DENVER; TO
SENATOR FRANK CHURCH, DATED JULY 12, 1974**

DEAR SENATOR CHURCH: I have been informed you will be conducting hearings on the Supplemental Security Income Program during this month. Though I will be unable to attend in person, I would like to make a few comments on the SSI Program as it was implemented in Colorado.

At the beginning of the year there were delays in the receipt of checks by recipients. Because of this, the Colorado Department of Social Services had to make payments in some counties which could be considered excessive as they totaled nearly a million dollars.

On occasion Colorado has had problems similar to those in the State of Texas whereby errors in information were received in Colorado on the tapes which were sent from the Central Social Security Office in Baltimore.

Though these problems have been critical, our greatest difficulty has been in establishing the disability determination by the Social Security Administration as far as it affects the Medicaid eligibility of individuals. During this excessive

length of time while the eligibility is being determined, there is no way that needed services can be provided the individual. This has created undue hardships and is not in accord with good service delivery concepts.

Another problem has occurred when the State turns over information to the Social Security Administration about a claim, and the claim is denied. In this case, when an appeal is filed the State has to obtain from the Social Security Administration the necessary information to adequately prepare for the appeal.

This problem has been compounded by the confidentiality of information regulations established in the Social Security Act. We recognize the need for such confidentiality, but at the same time without proper information a proper appeal cannot be prepared.

In our State in particular there appears to have been some difficulty in transferring the Needy Disabled from the State's AND program to the SSI Program. This has been caused because of differences in qualification between the two programs, particularly the length of time required for a person to be considered eligible under the SSI Program and of course the different concepts of individual decision makers as to what is and is not a disabling factor. Another difficulty has been created when a recipient moves from one State or within the State, and his checks are not forwarded by the Post Office but are sent to Alabama and there is frequently an undue delay in the return of the check to the proper individual.

When this was a State responsibility, the local Post Office knew where the person had moved to, or the local County Department of Social Services was able to send the check directly to the recipient with no delay.

The State of Colorado, as of July 1, was supplementing the SSI income up to \$171.00 per month. Because of Colorado sending a separate check, this has created some problems for older persons as they do not understand why they get one from Social Security early in the month, and one from the State later in the month. Though this has not been ideal, it has been helpful to older persons and it gives them an opportunity to maintain a higher standard than if all they received was the SSI income. It has created an administrative problem in coordination between federal, state and local levels of Government.

There are other problems, and some difficulties, however most of these are minor and will be resolved shortly.

The State Department has a good working relationship with the Regional and local Social Security offices, and is receiving information and technical assistance from them.

In our estimation the SSI Alert program was not as effective as it could have been, but that was primarily because of the rapidity with which the program was requested to be implemented and the failure on the part of local organizations to provide an effective consortium at the Regional (in-State Regional) levels. Hopefully in the future when such programs are designed at the National level, someone from the local level will be involved so that there will be complete agreement as to just how much support they can expect from local organizations.

If we can be of further assistance to you, please let me know.

ITEM 10. LETTER FROM RICHARD MICHAUD, DIRECTOR, BUREAU OF MAINE'S ELDERLY, DEPARTMENT OF HEALTH AND WELFARE, STATE OF MAINE, AUGUSTA; TO SENATOR FRANK CHURCH, DATED JULY 12, 1974

DEAR SENATOR CHURCH: Attached, for your information, is a summary report of deficiencies in the Supplemental Security Income Program.

We sincerely hope that through your Committee hearings, corrective measures will be adopted to improve the administrative and delivery systems of SSI.

In addition to the summary report, we hope . . . indeed, urge . . . legislation that would allow for a "pass through" on all cost of living increases. It is difficult enough for the aged, blind, and disabled to live on a fixed income in this time of rampant inflation, soaring costs, and medical bills that keep rising. It seems an injustice to grant a cost of living raise in Social Security and then take the same amount away from SSI. Not only that, but in the loss of Medicaid. Without Medicaid, the financial loss to these people is staggering.

We strongly believe in the benefits of SSI. It responds specifically to those that need it the most. However, there has to be some changes made, if it is to work effectively.

[Enclosure]

SUMMARY REPORT

We have attempted, in this summary, to give a factual and honest report on the major problems facing the new applicant and recipient of SSI. It should be noted that the cooperation between this office and the *local* branches of the SSA has been excellent. We know they have worked overtime, night after night, and even on Saturdays to catch up with their workload.

But with all their efforts to get new people on the program and to correct the records of people already on, somewhere along the line the information is not "plugged in", or it is slowed down, or it seemingly never gets used. It is in this area that we are concerned.

The following are our findings:

1. For many people, the delay in receiving a response on whether or not they qualify for SSI, is exasperating. Weeks go by, sometimes months, before they know definitely the status of their application. Somehow, the process must be speeded up.

2. Even after the applicant has been notified that he has qualified for SSI, it sometimes takes months before he receives his first check.

3. While legitimate reductions have been made due to a change in living habits, disability determinations, other income, etc.—SSI checks received suddenly show a reduction with no apparent reason or explanation. Efforts made by local officials of SSA to correct the mistake seem to go nowhere. Errors and delays keep occurring with the same people. Meanwhile, as new applicants are added to the program, the problem multiplies.

4. Quite often, when a reduction in payment is about to take place, a "Notice of Change" form is sent to the SSI recipient (Form # SSAS151). This form is also used for notification of increases in payments. The wording on the form reads, "We have received information that affects your payments (or those of the individual named above, on whose behalf you applied to receive payments). Based on this information, we are taking the following actions:"

But the reason for the reduction is rarely given!

Consequently, the phones start ringing, people flood the offices of SSA, letters are written to find out "why". At the same time, a multitude of others who are sick and old stay at home, not knowing what to do.

It would simplify matters if a reason for the reductions was given. This would make it easier for the person receiving SSI benefits to contest the reduction if he had documentation and he felt that the reduction was in error.

5. Errors are being made that result in some people receiving two checks, both in the same amount. The extra checks are not for back payments and here again we find people bewildered and confused. This causes another trip to the Social Security Office, which is a hardship for some people, and results in the workload being backed-up even more.

6. Another problem involves people who receive word that they are no longer eligible for SSI. In many cases, this is not true. The problem is that sometimes this is part of a mechanical action to correct the file of the recipient. One individual may be in the computer with more than one claims number. To get the superfluous number off the file, *a closing has to take place* and the recipient receives information that he is no longer eligible. *He has no way of knowing that a proper account is still open.*

ITEM 11. LETTER FROM HARRY F. WALKER, PRESIDENT, NATIONAL ASSOCIATION OF STATE UNITS ON AGING; TO SENATOR FRANK CHURCH, DATED JULY 24, 1974

Dear Senator Church: Thank you for inviting the National Association of State Units on Aging to submit testimony to your Committee on the subject of administrative and programmatic aspects of the Supplemental Security Income Program. I have been in contact with all the States and my following written statement is a compilation of responses received to date from 21 States.

While it is not my desire to repeat what has already been recorded by the Special Committee on Aging (in report No. 93-846, printed May, 1974), I do want to state that the major problem areas as stated (beginning on page 21 of that

report) remain the major areas commented upon by the individual States. These areas are: (1) Administrative; (2) Food Stamp Program (which has been taken care of for one year as of July 1st, thankfully); (3) Medicaid; and (4) Ancillary Services.

I will elaborate in detail:

(1) *Administrative*—While a few States expressed positive working relationships with the Red Cross, most of the States experienced difficulties with Red Cross being chosen as the funded organization to implement SSI Alert. Many units on aging felt that other groups within their States that were more directly tied into the elderly communities should have been the lead agency. Other comments regarding Red Cross indicated that too little actual door-to-door outreach was done, with major outreach emphasis from Red Cross being placed on telephone contacts. Many of the elderly do not have telephones and a large portion of those who do would have responded to the initial communication more comfortably if there had been personal contact.

Questions were raised as to why intensive mail-outs did not occur last summer and fall 1973 by the Social Security Administration to potentially eligible persons.

A number of States had received complaints regarding personnel in Social Security offices who interviewed SSI clients. Many showed a lack of interest, a sensitivity toward the older person, and a lack of knowledge of resources available for referral. For many rural elderly, lack of transportation to the SSA office was a problem.

Many comments were received regarding the difficulties encountered in becoming qualified as disabled. Specifics were reported as being "fuzzy in some instances and the length of time for having a disability prior to being qualified for SSI as being too long. Again, many people felt the home property limit of \$25,000 and assets limited to \$1,500 should be raised or eliminated. Other questionable areas of qualification include the "essential person" split, and "private sector institutions" having to deduct in-kind from individual amounts of benefits.

While some States had consortiums that worked beautifully, others reported it as "a great idea . . . on paper" but not operational within their States. The use of volunteers delayed the Alert Program, too. There was a large turnover in volunteers, discouraged by unpleasant weather and gasoline shortage during the major thrust of Alert. Better results might have been achieved if volunteers had been provided a nominal fee. Recipients having a temporary need for institutionalization, i.e., a person going into a hospital for care exceeding 30 days, have no provisions for maintaining the homes the patients are planning to return to. Many SSI recipients during the first six months of 1974 suffered emergency situations without any relief due either to their not being told emergency assistance was available while waiting for the first check, or in some States, once they became a SSI recipient, the State no longer felt responsible for emergency hardships that might occur.

The backlog in processing applications and the computer mistakes have been spread throughout all States. One State described the frustration felt by all of us stating, "It seemed as if SSA was trying to do a job requiring the most sophisticated computers while using an abacus and the fingers of two hands."

(3) *Medicaid*—Most States were pleased with the cooperation between SSI and Medicaid eligibility. However, there is considerable concern with the fact that when the Social Security cost-of-living increases raise some individuals' incomes, they will be above the prescribed SSI maximum and will lose Medicaid benefits. Many elderly have already experienced difficulties with losing Medicaid upon receiving SSI—thus reducing rather than increasing their financial security.

(4) *Ancillary Services*—The complexity of eligibility rules for the variety of service programs coupled with the rising inflation now occurring makes it difficult to accurately know if the older people have more purchasing power with SSI and exactly how much more.

Appeals and Hearings

A few States have had experience in the appeals and hearings procedures. Many applicants are not told the details of this process and even when told, the legalistic requirements tend to discourage the applicant from proceeding. We suggest simplified hearing procedures be implemented.

I would like to reaffirm the comments made earlier by the Idaho Office on Aging to Your Committee regarding SSI. As stated in their testimony, the long term impact on the elderly as a result of the panacea implied by SSI and the frustra-

tions actually experienced by the elderly as they tried to obtain this panacea may well have created negative attitudes towards programs initiated in their behalf in the future.

While we have emphasized the problems encountered in implementing this new program, the positive should also be a part of our testimony. For those elderly who are now receiving their SSI check monthly, surely none can question that in the majority of cases they are financially better off than before. Also, the self concept has been raised because the benefits are coming from the Social Security Office instead of a check from the local welfare department. In our testimony we have tried to highlight areas that need improvement, but it should be said that for a great many older persons in the United States, SSI has been an answer to their prayers.

We have been asked by representatives from Puerto Rico and the Virgin Islands to urge that reconsideration be given to providing SSI benefits for their elderly United States citizens.*

Again, thank you for this opportunity on behalf of all the State Units on Aging to express our views on the Supplemental Security Income Program.

[Enclosure]

GOVERNMENT OF AMERICAN SAMOA,
OFFICE ON AGING,
Pago Pago, American Samoa, August 7, 1974.

DEAR MR. WALKER: I have read a copy of testimony you sent to States Units on Aging, previously submitted in behalf of NASUA to Senator Frank Church on the subject of SSI implementation. I am also concerned on this subject. You mentioned that representatives of Puerto Rico and Virgin Islands urge that it be given their elderly SSI benefits. Perhaps they are eligible because of their United States citizenship status.

Let me turn your attention to American Samoa, a United States' territory. Its inhabitants are considered United States' nationals, rather of being citizens. We also have programs for the aged. I have made inquiries to the Social Security Office here in American Samoa to consider our elderly eligible for SSI benefits. I might be wrong by saying that every Federally funded program, there shall be no discrimination to people regardless of their identities. The answer I received from our local SSA Office is that American Samoa is not covered under this program. This tells me that the elderly are not eligible to apply, and if this is the case, then someone is depriving others' rights under the laws of Federally funded programs. Some questions then should be asked as to why were U.S. territories, including American Samoa, excluded from the application of SSI programs, its eligibility and what was the rationale behind it, if there was any.

I would appreciate your presenting the concern I have regarding the application of the program (SSI) and its eligibility to Senator Frank Church. I urge that reconsideration be given in providing SSI benefits to our older American Samoans.

Sincerely,

PENEI MACFEELY,
Project Manager, Program on Aging.

ITEM 12. STATEMENT OF FRANK RODIO, JR., PLANNING AIDE, CAMDEN COUNTY, N.J., DEPARTMENT OF PLANNING

Mr. Chairman and Distinguished Members of the United States Senate Special Committee on Aging: Who are "The New Forgotten Americans"? They comprise some 28 million "senior citizens" over age 65 and a staggering 3% or 13,390,000 persons comprising the U.S.A.'s handicapped population. New Jersey has a senior citizen population of 1,120,000 and a handicapped population of some 900,000. I reside in Camden County which has a senior citizen population of 65,000 together with 100 senior citizens' clubs and some 5,000 persons comprising the handicapped population.

I have diabetes and cerebral palsy, the latter being classified as "neurologically impaired"—one of the 11 special education categories recognized by New Jersey. I am only 25 years of age, but I feel I have a "vested interest" in the current deliberations being conducted by your committee.

*See enclosure.

The United States had a 1972 per capita income of \$4,400 and a 1971 gross national product estimate of \$1,050 billion. United States vital statistics include birthrate being 17.3 per 1,000 of population and deathrate being 9.3.

United States life expectancy is 70.2 years. Health statistics are 122.4 patients per hospital bed, 596.7 patients per physician, and infant mortality rate is 19.2 per 1,000 births. New Jersey ranks 5th in the nation in per capita income of \$4,811.

New Jersey has a 15.2 birthrate per 1,000, an infant mortality rate of 20 per 1,000, 144 physicians per 1,000, 63 dentists per 100,000 people, a 7.1 per 1,000 people acceptable hospital beds with the state annual expenditures per capita for health and hospitals being \$38.40.

Under the present health care system currently operating in the United States, the average working man cannot afford to get sick or even retire. That is not what the drafters of the original social security legislation intended. They did not even favor a "cradle to the grave" health care retirement system approach as is practiced in Scandinavia, the United Kingdom, Uruguay and Western Europe.

"The New Forgotten Americans" face the combined problems of a "transportation tyranny" coupled with an apparent policy of "benign neglect" adopted by all governmental levels towards their problems and their problems are real. I speak from personal experiences, being one of them.

Several of the 1972 legislative victories for "The New Forgotten Americans" had potentially far reaching implications for America's largest "minority group." They first sounded very appealing—a new federal income supplement program to replace the state administered Old Age Assistance program beginning in 1974.

This has not been the panacea for "The New Forgotten Americans" that its drafters had intended. I applied for Supplemental Security Income (SSI) on November 26, 1973. The paperwork and travel alone to and from the Federal Social Security office can be discouraging to the aged, blind and disabled.

It takes months before the first SSI check reaches you. For five years after graduating from business school in 1969 I could not find suitable employment. Finally on February 19, 1974 I started steady work at the Camden County, New Jersey Planning Department at a salary just above federal poverty level subsistence. What happened? Because the Camden County Planning Department "hired the handicapped" (me), I was penalized. My SSI check was taken away from me. I request that you gentlemen correct the inequities in existing law.

ITEM 13. LETTER FROM MILDRED KRASNOW, EXECUTIVE DIRECTOR, BERGEN COUNTY OFFICE ON AGING, HACKENSACK, N.J.; TO MR. W. E. ORIOL, STAFF DIRECTOR, COMMITTEE ON AGING, DATED JULY 25, 1974

DEAR MR. ORIOL: I was just rereading the address you gave at the meeting of The New Jersey Association of Office on Aging Directors and Administrators last month, and was reminded that you were to hold hearings on SSI during the week of July 15.

Since you asked for the directors' points of view, I would like to comment that in Bergen we find that the valuation limit of \$25,000 on a senior citizen's home is completely unrealistic and is in many cases the major obstacle to older persons receiving SSI and Medicaid benefits.

In addition, when title to the property is held in the names of both husband and wife, should one of them be confined to a nursing home, because the home may be assessed, for example, at \$50,000 there is no possibility for SSI or Medicaid assistance. The value of the jointly-owned property cannot be divided between the two, which would permit the applicant to list the home at under \$25,000. Therefore, in order to qualify for help, the spouse must sell the property, find other living quarters at Bergen's exorbitant rents, use up his resources to keep his mate at approximately \$1,000 a month in the nursing home, and when all his resources are depleted, apply for SSI himself. This, of course, is demoralizing and frightening.

Incidentally, we will be working with the Social Security Administration to screen SSI applicants and will employ a few Spanish-speaking persons to assist because of the language barrier.

According to the U.S. Bureau of Labor Statistics, Bergen is in the highest cost-of-living area in the country. What might be helpful in another section of the United States does not help us. I hope that through the U.S. Senate Special Committee on Aging, modifications of the present SSI regulations will be made.

ITEM 14. LETTER FROM WILLIAM M. NUSSBAUM, PRESIDENT, NEW YORK AND NEW JERSEY COUNCIL OF SOCIAL SECURITY DISTRICT OFFICE EMPLOYEES, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, AFL-CIO; TO SENATOR FRANK CHURCH

Mr. Chairman and Members of the Senate Special Committee on Aging, as the exclusive representative of the 3600 non-management employees of the Social Security Administrations Bureau of District Office Operations in the New York Region, comprising the states of New York and New Jersey, we believe we can provide accurate factual and detailed insight to the problems experienced, not only by the employees we represent but also the public they service. We will endeavor to limit our testimony to the areas of planning, manpower and legislative changes that would tend to increase efficiency and service with prompt payment of benefits to the public.

Planning and Legislative changes—At best we can say that the planning by Congress, DHEW and SSA prior to passage of Social Security Amendments since 1965 and the Supplemental Security Income program of 1972 has been inadequate. A review of the number of man-hours of overtime worked, the turnover of employees within the Administration and the growing amount of criticism from the general public over the nine year period will bear this out.

Presently more than 9 out of every 10 Americans are covered by the Social Security Act, one of every eight Americans receive Social Security benefits monthly and approximately 3.5 million Americans receive Supplemental Security Income benefits monthly. If a program of this magnitude is allowed to break down, as it appears is happening, the economy of America will obviously suffer.

The Supplemental Security Income (SSI) Program was designed to transfer aged, blind and disabled individuals in low income and resource levels from state, county and municipally administered programs to Federal programs administered by the Social Security Administration. One of the primary reasons advanced by the Nixon Administration for such a need for welfare reform was the need for fiscal responsibility nationally and the amount of monies paid out to individuals who did not meet the requirements for payment—payment allegedly made illegally. To correct this aspect of administration, the Federal law requires face to face interviews of all individuals now filing for SSI benefits. To the best of our knowledge, no one realized how time-consuming a task this requirement of the law would be in terms of man-hours. The law further provides for such an interview every 12 months to redetermine if the individual still meets necessary income and resource requirements to continue to receive benefits. For the Committee's benefit, we estimate it takes 7 man-hours for the initial processing of an aged SSI claim and 13 man-hours for the initial processing of a blind or disabled SSI claim. We estimate it takes 9 man-hours for the processing of an aged SSI redetermination and 16 man-hours for the processing of a blind or disabled SSI redetermination.

Why does it take so long to process these claims? Many factors contribute to this time-consuming claims processing: complexity of the SSI law, lack of sufficient and adequately trained personnel, computer programming deficiencies, poor direction and policymaking by management at the Bureau, Administration, and Department levels, and the educational levels of the individuals the SSI program is directed to service.

The law should be amended to increase the allowable amount of resources from \$1500.00 to \$2500.00, increase the amount of the maximum monthly benefit from \$146.00 to \$200.00 and by the addition of a provision in the law stating that an individual entitled to Medicaid the month prior to the month of a Social Security Amendment benefit increase will continue to be entitled to Medicaid, even though their SSI cash payment may be terminated due to the SSA increase. All of the above changes will achieve a less complicated SSI program for our members to administer and a more humane program providing a basic income level for aged, blind, and disabled Americans.

Manpower—The lack of sufficient personnel to effectively and efficiently administer the SSA and SSI programs is best illustrated by the agencies excessive utilization of overtime—even MANDATORY overtime—in an effort to meet the needs of the public. IN addition to overtime, the Social Security Administration has employed and continues to employ "temporary employees"—some for 3 or 4 years now—as well as part-time employees and employees paid under special programs such as the Retired Citizens Volunteer Program under ACTION. None of these categories of employees are charged against the permanent ceiling of the Social Security Administration. The practice of using temporary em-

employees denies them the pay and benefits they rightfully deserve for doing the same job as career Federal employees.

Mandatory overtime, in the Social Security Administration or any other agency, amounts to involuntary servitude and appears to be a violation of our members' Constitutional rights. We believe that overtime should be voluntary and used sparingly since overtime is more costly to the taxpayer than hiring career Federal employees. All other categories of employees should be eliminated completely and the employees should be converted to career Federal employees or the position should be eliminated. Temporary and part-time employees have been more costly over the period of time SSA has utilized them than career Federal employees would have been over the same period of time. Collectively these categories of employees have a higher turnover rate, require more man-hours per employee in training and do not have as high a regard for their own work performance as do career Federal employees. It is time Congress, OMB, DHEW, and SSA realized that there is no substitute for a well-trained stable Federal workforce in numbers sufficient to properly administer the laws established by Congress.

The SSI program became law October 31, 1972. Prior to its passage however, many task forces studied the proposed legislation, met with state, county and municipal officials and based on their results the law was passed.

SSA and DHEW knew by September 1972 that the law would pass. They should have had prepared or been in a position to prepare policy, training materials, recruit additional staff, formulate applications and all of the other requirements necessary to administer this new law.

In retrospect what actually occurred was disastrous, DHEW, SSA or a combination of both did not begin to hire an appreciable amount of additional personnel to meet the administrative needs of the 1972 SSA amendments or the new SSI program until September 1973—almost one year from passage of this legislation. In a belated effort to have the maximum amount of staff available for the January 1, 1974 transfer of beneficiaries from the State rolls to the Federal rolls, SSA cut the number of weeks training new employees would receive by one to three weeks. This decision resulted in poorly trained employees unable to function properly thus requiring substantial assistance from supervisory personnel, and journeymen non-supervisory personnel, which further slowed down service to the public.

The training material utilized by SSA to train new employees has not been updated since 1972. As a result of antiquated training material, training instructors are forced to improvise and update the material on their own as best they can resulting in poor utilization of training time and important areas of the SSA and SSI laws being overlooked or hastily covered. Copies of important policy decisions known as claims transmittals have often been limited to one copy per office and in some cases never received causing inconsistent implementation delayed payment, incorrect payment or non-payment of benefits unnecessarily.

In January 1974 the lack of manpower, employee training, training materials, and planning at various bureaucratic levels resulted in non-payment of SSI benefits to thousands and thousands of low-income aged, blind and disabled Americans. Under the pressures of economic and personal frustration, violence erupted in many Social Security offices in New York City requiring the use of Federal Marshals to quell these outbursts of angry beneficiaries. Violence to a lesser degree broke out in other offices in the states of New York and New Jersey requiring the use of over 100 guards to maintain a safe environment for SSA employees, our members, and the public.

We could go on and on and sight many problems DHEW and SSA have experienced which have resulted in a lack of proper administration to the needs of the public. We believe this is not necessary.

We implore the Committee to reflect on our testimony when considering the present and future economic needs of the American people and the effective, efficient administration of the Social Security and Supplemental Security Income Programs, in meeting these needs. We humbly suggest as part of the legislative process, the Senate Finance Committee and your Committee invite us to submit more detailed testimony for your consideration and deliberation in the future.

Thank you for providing us with this opportunity to address your Committee in an effort to improve the administration of the government our membership services—their fellow Americans.

ITEM 15. LETTER FROM REV. EDWARD J. WALSH, EXECUTIVE SECRETARY, COMMISSION ON SOCIAL JUSTICE OF THE DIOCESE OF CAMDEN, N.J.; TO SENATOR HARRISON WILLIAMS, DATED JULY 11, 1974

DEAR SENATOR WILLIAMS: I submit the following written statement to the Special Committee on Aging in relationship to the Supplemental Security Income (SSI) recipients' eligibility for food stamps.

"The value of food stamps can make the difference between adequate nutrition and slow starvation for many of the elderly poor of our country. For example, a widow whose only income totals \$190.00 (paying rent and utilities of \$100.00) leaving only \$90.00 for food and clothing purchases, food stamps have been a blessing for these people.

With food costs rising about 1.2% per month, the elderly poor are simply undergoing slow starvation. We are all proud of our parents, who pay their bills, pay taxes or rent, and go without eating rather than be delinquent or owe people money.

The energy crisis has had a greater impact on the elderly because they have been depending on pensions or some other fixed income, but utility costs have gone up but not the pension.

I believe you will all agree that the elderly poor look upon the moral responsibility of paying their bills to keep a roof over their heads and cut down on buying food for themselves; the result is, they all become prone to disease, and we will have another problem.

Today, the elderly are looking to our Federal Government for leadership in providing food programs. Now is the time to show the people who made this such a great country to live in that we have not forgotten them.

Let us not all forget the many sacrifices they made during the depression, let us not make them go through those days again in the 70's. Some day with God's help, we all will be elderly."

ITEM 16. LETTER FROM PAUL M. PETRUCCELLI, INDEPENDENT STUDY GROUP, BAY SHORE, N.Y.; TO SENATOR FRANK CHURCH, DATED AUGUST 8, 1974

DEAR SENATOR CHURCH: It has come to our attention that the Special Committee is currently undertaking an examination of the Supplemental Security Income Program and its implications for the aged, blind and disabled of our nation who require such assistance.

In January of 1974, as the SSI Program was being introduced, we issued a press release in which we attempted to highlight what we felt to be the major inequities inherent in this program. At the time, regrettably, there was minimal reaction locally to the criticisms which were set forth in our statement. As the indignities and hardships suffered by SSI recipients have subsequently come to light, considerable attention has now focused upon this issue.

While you are, by now, surely conversant with the provisions of the SSI Program, we nevertheless have taken the liberty of enclosing a copy of our earlier statement for your review. We would be most grateful if both that statement and the comments which follow could be made a part of the Special Committee's official record of its inquiry into the matter of SSI.

Several rather basic conclusions can be drawn at this juncture. First, it has been quite clear to us that, in formulating the SSI Program, the Congress failed to first familiarize itself with the assistance programs which were replaced by SSI. The concept of a flat grant which embodies no provision for special or emergency needs is completely at odds with the precedents established under the Federal assistance categories of Aid to the Blind, Aid to the Disabled and Old Age Assistance. In that regard, it would not be inaccurate to observe that the eligible aged, blind and disabled were effectively disenfranchised in that various types of assistance once offered to them were summarily withdrawn without explanation or justification.

Furthermore, there was a definite element of misrepresentation in the introduction of the SSI Program to the American public. Essentially, we were told that there would be no effective loss of benefits or reduction of assistance levels. This basic deception was couched in the emotionally appealing notion that SSI recipients would be free of the "welfare stigma".

Our experience with the SSI Program to date demonstrates that, in fact, recipients of SSI are subjected to hardships and indignities of a magnitude never before witnessed in relation to the contemporary provision of public assistance. The reasons for this development are, to us, quite clear.

The needs of individuals who must depend upon such assistance demand, by their very nature, a delivery system which is intimately responsive to the daily changes in the circumstances of those individuals. With many admitted limitations, the mechanism through which we deliver public assistance (or, if you will, "welfare") is capable of such responsiveness. The entire concept of a local social services/public assistance agency addresses a simple and irrefutable reality: social and financial problems are, in most instances, inseparably interwoven and must be approached in an integrated fashion. Indeed, our very ability to deal with social problems is predicated upon our ability to promptly command the issuance of financial assistance. That capability is totally absent in the SSI Program and the situation is further frustrated by the fact that social services are provided by a separate local agency with no direct input into the Social Security mechanism.

The above observations lead unavoidably to two major conclusions which we wish to set forth in the form of recommendations for legislative change:

(1) After a careful review of the provisions of the former Federal categories of Aid to the Blind, Aid to the Disabled and Old Age Assistance, legislation should be introduced which will impart to the SSI Program those same provisions. Particular attention should be paid to those provisions which allow for the issuance of various forms of emergency financial assistance and the ability to respond to various instances of "special needs".

(2) Since the Social Security bureaucracy was never designed to be intimately responsive to changes in the living circumstances of its clients, and since currently existing public assistance/social service agencies (i.e., local welfare departments) are specifically structured to be intimately responsive to such changes, it is absolutely essential that the responsibility for the administration and delivery of financial assistance under the SSI Program be delegated to the agencies which currently deliver other forms of public assistance under the aegis of the Department of Health, Education and Welfare.

There is no reason why simple accounting procedures cannot be utilized to charge all assistance issued under the SSI designation to the appropriate Federal accounts. Since both SSA and HEW operate under the authority of the Social Security Act of 1934, the sharing of SSI responsibility as described should pose minimal problems.

We are grateful for your attention to our comments and we are, of course, prepared to further articulate our position in this matter if you should express further interest in this area.

ITEM 17. LETTER FROM MARY YANKAUER, NEW YORK, N.Y.; TO SENATOR FRANK CHURCH, DATED JULY 15, 1974

Re: SSI

Dear Senator Church: I should like to be able to compliment our government on the SSI program and to write in a positive vein about it. However, the troubles are so many and the hardships inflicted by this program so heavy that all I can write about is what has happened, here in New York City—in Yorkville. There are a number of general criticisms, i.e., the level of income, \$226.85 (spendable dollars) is far too low; the flat grant basis is wholly inadequate given the rents and gas and electricity and phone costs here; if food stamps were allowed, many of the elderly couldn't afford to buy them.

Rents in New York City are subject to vacancy decontrol. If a person is forced out—and many are because of luxury building—there is no place to go. Decontrolled, old, unreconditioned apartments, some on the fifth or sixth floor, if available, rent at about \$175-\$190/month. New apartments—\$250 for one small room and kitchen. Public housing is as scarce as hens' teeth. 5,000 applicants for 160 apartments at 70th Street and First Avenue (Lenox Hill sponsored elderly apartments); 10,000 for 300+ in Ruppert—next year. Rent controls guarantee 7½% increases.

Electricity and gas are averaging between \$12-\$18/month. Budget phones start at \$5+/month.

It takes a minimum of three months to get into the system. After that you take your chances on getting checks and when gotten they very likely are wrong.

Staff was utterly unprepared for the flood of applicants and for various snafus that occurred. They have not yet—seven months later—dug out from under. Non-receipt of checks is common. Issuance of substitutes is an impossible task and once in the system no emergency checks are issued.

No pass throughs were authorized by Federal or State orders. SSI recipients have never seen the cost-of-living increases.

Medicaid cards (issued monthly in New York) are not sent. Emergency letters must be individually requested. Tapes are sent from Baltimore to Albany, split up and sent to various offices. New York cashed in food stamps and included \$10 in state supplement. However, many of the OAA cases were grandfathered in at amounts well over \$196/month total income. These people lost all their food stamp benefits.

Food costs have jumped tremendously. Low salt dietetic, low residue, low fat and other diets cost money to maintain. Not only is \$226.85 spendable total income much too low, but the lack of pass-through is just another unfair blow.

It costs a great deal to maintain a patient in a nursing home. Our elderly on such very restricted incomes have little choice—starve and pay rent or get evicted and eat. In either case, the blow to their self-respect is a killer quite literally.

Other difficulties that have come up are lack of emergency funds for things like stolen cash (muggings/robberies), unforeseen expenses—moving, replacement clothing, increases in cleaning costs. Lack of homemaking help is a whole topic. Under OAA a check could be issued jointly to client and landlord. This is no longer possible.

What Social Security never considered adequately was the utter helplessness of many elderly. Old, sick, language problems—governmentese as well as English—the need for one-to-one treatment and an adequate computer system are all devastating factors. The need to assign separate Social Security numbers for those on B or D cards also delayed matters.

In this Center we have been fortunate. The offices we deal with are sympathetic and try their best to help. They are flooded and lack of trained staff causes unwarranted delays. We have been lucky—we can fill out and document applications and so our elderly do not have to wait and wait and wait at the Social Security offices.

I have tried to summarize some of our cases—ones that have been corrected and those still waiting.

Mrs. E. M.—Filed SSI in 8/73. Received only \$46-\$49/month, far below the State limits of \$226.85. Correspondence and phone calls to no avail. (Should be getting \$100+.)

Mr. and Mrs. T.—Mr., over 65 and disabled; she 64 and disabled. Grandfathered in from OAA. SSI and Medicaid stopped in March; don't recognize essential person (husband and wife). She never applied for Social Security disability; receives wife's benefit. His benefits too high for SSI. Lives with another person! Applying for disability on her own.

Mrs. H.—Filed in 7/73. As of 5/74, never received. 5/28/74, check to be delivered. Actually received 6/6/74. July 5th no check. Called Social Security office to be checked out.

Mrs. E. M.—Filed for Social Security in August. January to date receiving less than half of what she should. SSI inputted, ignoring State amount. Requests for correction made in February, April, July. July check still wrong.

Attached hereto are copies of some of our more serious case summaries*

ITEM 18. LETTER FROM DR. ISADORE ROSSMAN, MEDICAL DIRECTOR, HOME CARE AND EXTENDED SERVICES DEPARTMENT, MONTEFIORE HOSPITAL AND MEDICAL CENTER, BRONX, N.Y.; TO SENATOR FRANK CHURCH, DATED JULY 9, 1974

COST COMPARISONS

Our After Care Program was set up originally through a grant from the Regional Medical Program. When this funding abruptly ended, we shifted to the billing of Medicaid/Medicare and where it was possible other insurance or funding agencies. In actuality, this meant dropping some patients from the After

*Retained in committee files.

Care Program who had no third party reimbursement. As matters stand, billing which is appropriate for one agency may not be available from another to the hospital, Medicare does not; however by pooling our reimbursements, we are able to take care of a variable mix of Medicare and Medicaid patients with an occasional patient in other categories carried along despite inadequate reimbursement.

The daily cost of our Home Care program over the years, as a rule of thumb, has been approximately 1/10 that of the hospital. When the Montefiore Hospital Medical Center (MHMC) day was \$100.00, our Home Care day was approximately \$10.00, and both of these figures have doubled over the last decade. Because of a merging of funding from all our sources—Home Care, After Care and Nursing Home Care, it is impossible to break down costs in an exact way for an isolated program. The doctor who is on call during the day as well as the doctor who takes calls from 11 p.m. to 7 a.m. handles emergencies arising on all three of our patient care programs. This has manifest advantages from an economy point of view. Other Home Care Programs with which I am familiar currently cite cost figures of approximately \$20.00 per patient day. Our After Care Program patient day is approximately \$23.00 and the Geriatric Day Hospital Program approximately \$25.00 a patient day. If one were to generalize, it would appear that these various alternatives to institutional care run roughly at about the same level of costing, always presuming that a reasonable range of services are delivered.

(a) Both cut down on expensive hospital days.

(b) Both represent needed and desirable extensions for medical care.

(c) Both will cut down on the great drift into nursing homes with all of the costs and drawbacks of that institution.

As to limitations on coverage, this has been a moot point even among Home Care programs over the years. At MHMC, we have taken the position that as long as the patient needs home care, and can benefit by it, then he should be given it. There are other programs which have established a time limit, as for example a 90 day limit following which the patient has to be discharged from the program. There are many clear-cut instances where the patient's need for home care on the 91st day is as obvious, if not more so, than it was on the first day. I do not think that a hard and fast time limit should be established provided that a review of the need for home care is done periodically in much the same manner as we certify the need for hospitalization under Medicare. I think it is obvious that to withdraw home care, thereby forcing the patient into a nursing home, is not sound fiscal policy, to say nothing of the distress it may cause the patient and family.

On the other hand, if a patient improves, there must come a point at which home care should be withdrawn. This sort of review has been customarily done by a team on our program, and I see no reason why this review concept should not work out satisfactorily on a national level.

ITEM 19. LETTER FROM MYRON MAYER, COMMUNITY SERVICE SOCIETY OF NEW YORK; TO SENATOR FRANK CHURCH, DATED JULY 29, 1974

DEAR SENATOR CHURCH: The Community Service Society of New York is a voluntary, non-sectarian social welfare agency that has been concerned with and for the impoverished of New York City throughout its more than 125 year history. Our organization has been deeply involved in study and program activities related to the Supplemental Security Income program since its enactment by Congress in the Autumn of 1972.

The Society's active involvement has been in three major areas: 1) participation in the SSI Alert information; 2) the Administration of an emergency financial assistance program to meet the urgent needs of elderly persons who were either already on the SSI rolls or who were new applicants and, 3) efforts to bring about needed changes in policies and legislation affecting the SSI population. We have opposed recently enacted state legislation that fails to protect the health, welfare and safety of its citizens who also are eligible for Federal and State supplemental income, and we are firmly committed to the retention of residual responsibility by states. At the same time, we are equally committed to improvement of the SSI program and the proper assumption of responsibility by the Federal Government of payments statutorily their responsibility.

Therefore, on the basis of our experiences, we are pleased to submit our views for improvement of the SSI programs as part of the record of the hearings on "Future Directions in Social Security."

[Enclosure]

COMMUNITY SERVICE SOCIETY OF NEW YORK

The transition to the Supplemental Security Income Program represented a radical change in the approach to rendering financial assistance in New York State. By exercising the provisions for optional additional state payments and Federal administration of them, New York State moved *from* a system wherein budgets were individually computed to reflect the specific needs of the recipient *to* a system of a guaranteed level of income or flat-grant approach. The separation of income maintenance functions from social service functions was further intensified as a result of the differentiation of responsibility for each area between the Federal and State administrative bodies. While these changes represent in part the fundamental reforms inherent in SSI, such precipitous change in the method and administration of the former categorical assistance programs replaced by SSI contributed substantially to the confusion and hardship experienced by many New York SSI beneficiaries. Examples of the problems encountered in the transition stages of implementing the new program have been attested to by witnesses from New York State who appeared before the Special Committee on Aging during these hearings and have been inserted from time to time in the Congressional Record by members of the New York Congressional Delegation, obviating the need to recount them here. Suffice it to say that we deplore the undue hardship imposed on New York State aged and disabled poor due to malfunctions of the new system and bureaucratic responses that serve only to shift the onus of responsibility from one level of government to another but fail to respond to the recipient's urgent need.

We do not take issue with the fundamental concept of Supplemental Security Income. Indeed, we welcome the basic reforms the program offers and consider it a significant step forward in the development of an income maintenance system as part of this country's social security program. However, even short experience with the new program indicates areas requiring Federal action. These areas include both remedial provisions to correct deficiencies in the operational aspects of the system as well as new provisions to improve the program itself so that the full potential of income maintenance through supplemental security income is realized. We urge the Congress to give prompt consideration to legislation appropriate to these ends.

REIMBURSEMENT TO STATES FOR INTERIM ASSISTANCE PAYMENTS

By far the most frequently encountered problem in New York State during the transition period resulted from the failure of the SSI system to process applications and/or correct errors within periods of time that are reasonable for and consistent with characteristics of the SSI population. While current law provides for a one-time advance payment of up to \$100 against the applicant's benefit in cases of emergency financial need, the provision is inadequate to the problems inherent in a huge computerized system of assistance payments. Such a limited provision assumes rapid, error-free processing of an application as well as the existence of a cushion of resources from which an applicant can draw in the event of delivery system delays. Of course, both assumptions are erroneous. Computer systems are not infallible, and a large proportion of SSI applicants or beneficiaries are actually destitute and totally reliant on the public assistance system. There is need for recognition within the Congress and the SSI program that, unlike Social Security Insurance Benefits, SSI payments represent replacement of public assistance payments and, for many, their only source of income. Delays of even a week or two can have deleterious effects on the health and well-being of the eligible recipient.

The Taft amendment currently pending in the Congress would permit the Social Security Administration, upon authorization by the applicant, to withhold from his first SSI check an amount sufficient to reimburse the State for any interim payments it may have made to him in lieu of SSI benefits for which he was eligible but which had not yet been processed. We believe this would encourage States to provide immediate relief for persons whose applications are caught somewhere in the system since it would assure reimbursement of monies expended locally because of Federal delays. However, the amendment, as proposed

is a temporary measure that only deals with delays related to an individual's initial entry into the SSI program during the first 18 months of the program. It does not provide for delays or errors that occur after an application is processed and payment begun. When this kind of delay occurs, and it most assuredly does, the dependent recipient is in the situation of holding "I.O.U.'s" from the Federal Government but is without income to meet regular living expenses. There is no more reason to believe that local public assistance offices will respond to the needs generated by these delays without assurance of reimbursement than they did to initial payments delay. We believe the provision should recognize the need for a permanent mechanism of reimbursement to the States for advancing of SSI benefits not received regardless of when the delay occurs.

EMERGENCY ASSISTANCE PROGRAM

Separate from the need for "interim assistance" mechanisms, which are confined to monies already awarded an applicant or beneficiary but not received, there is also need for a Federal Emergency Assistance Program for SSI beneficiaries. In this respect, "emergency assistance" is defined as payments for non-recurring situations such as security deposits and broker fees should a change in housing be required, or payments to stop utility cutoffs or to forestall evictions, as well as catastrophic situations such as burn-outs, muggings and so-forth. Again, Congress must be mindful that SSI is a replacement for the income maintenance function of State public assistance programs and that the population it serves has little or no margin for out-of-the-ordinary expenses. While it is true that the States are in no way prohibited from establishing such Emergency Assistance Programs under the existing SSI legislation, there is nothing to encourage them to enact measures that reflect the principles of reform inherent in SSI.

For example, Emergency Assistance measures enacted by the New York Legislature for persons eligible for SSI are so narrowly defined as to exclude fully 94% of the requests for emergency assistance examined in a random survey of 200 of the eligible SSI applicant/beneficiaries who turned to Community Service Society for aid during the first two months of the program. While some of these needs could have been met by public agencies had the Taft amendment relating to "interim assistance" been in force, not all could have been so satisfied. An obvious need for a back-up program exists.

In the interests of equity and uniformity, emergency assistance payments must be Federally mandated. In the absence of a Federal program, states are free to establish programs or not, and to establish programs for which eligibility requirements effectively abridge the advantages of uniform eligibility under SSI. Again, using the newly enacted New York State Emergency Assistance for Adults legislation as an example, a SSI recipient in need of a lump-sum emergency payment does not qualify on the basis of his SSI eligibility, but must qualify under State articulated general assistance eligibility requirements. These requirements negate the protections of the Federal program and provide recovery provisions through liens against real property. Also, they require the conversion of Federally-excluded personal property to cash to meet emergency needs before assistance is granted, and they limit applications for assistance of a like-kind to once in 12 months—as if emergencies can be planned.

To correct this situation, we recommend expansion of the Supplemental Security Income Program to include a program of Federal Emergency Payments to accommodate emergency needs of a non-recurring nature for SSI beneficiaries and to assure uniform eligibility and access to such assistance throughout the nation.

COST-OF-LIVING ADJUSTMENTS

A third area which we believe requires prompt Federal action is with respect to provisions for automatic cost-of-living adjustments to SSI. The amendment reported on July 17, by the Conference Committee, provides that Federal SSI benefits are to be increased by the same percentage and at the same time as social security benefits, whenever there is an automatic cost-of-living increase in social security benefits. The purpose of this provision, protection against deterioration of purchasing power in view of the rapid increase of inflation is self-evident. Yet the amendment falls short of guaranteeing the benefits of the provision to recipients. Obviously, if there is to be any substance to the theory justifying the inclusion of cost-of-living adjustments, those adjustments must be realized by the recipient. Since inflation is not resolvable at the level of state

government nor can its causes be laid at that door, the guarantee against its ravages for those with least opportunity to change their economic state—the aged and permanently disabled—of necessity falls to the Federal government. We believe that increases justified as cost-of-living increases must be prescribed in such a way as to assure that all SSI beneficiaries, including those in states providing additional payments, do not suffer deterioration of purchasing power in the face of significantly measurable inflation.

However, we believe the Congress not only must assure that total benefits, regardless of source, are inflation-proof but it must concurrently act to improve the basic payment level. The Federal SSI base reflects no apparent measure of adequacy, but rather, simply the median payment level of state programs in effect at the time of the enactment of SSI.

In setting income goals, the 1971 White House Conference on Aging called for "a supplementary payment system based on an income test to bring incomes up to the level of the "intermediate" budget as defined annually by the Bureau of Labor Statistics, financed entirely from Federal Government general revenues." However, the current Federal levels (which already include two cost-of-living increases) of \$1,752 for individuals and \$2,618 for couples fall *below* the BLS's 1973 *lower* level budget by \$88 and \$732 respectively for urban aged recipients. Cost-of-living increases, whether triggered automatically or by deliberate Congressional action, serve only to maintain this relative level on a continuing basis.

We believe that in addition to cost-of-living adjustments, Congress must commit the Federal Government to improvement of the basic level of SSI payments. We recommend that Congress adopt a 5 year schedule of annual incremental increases of given dollar amounts to the basic payment level to meet the goal of adequate income for all aged and disabled persons by the year 1980.

ITEM 20. STATEMENT OF ALFRED B. DEL BELLO, COUNTY EXECUTIVE, COUNTY OF WESTCHESTER, WHITE PLAINS, N.Y., JULY 29, 1974

Mr. Chairman and members of the Committee. My name is Alfred Del Bello. I am County Executive of Westchester County, New York, a suburban county of approximately 900,000 people, including the cities of Yonkers, New Rochelle, Mount Vernon and White Plains. I am appearing today to describe briefly the impact of the Supplemental Security Income Program upon the people and government of my county; to make two suggestions for revision of the program; and to bring to your attention other SSI problems encountered by county government.

I do so not only as a County Executive but as a member of the National Association of Counties, an organization of approximately 2,000 counties. I have recently been designated, by President Stanley Smoot, as Chairman of NACo's Committee on Urban Affairs. I believe it is important for your Committee and the entire Congress to pay closer attention to the problems and potentials of County government, and to measure the impact of federal legislation on local government. While the National Association of Counties has no detailed position on SSI, the impact of the program upon counties has been significant, as I will discuss later in my statement.

In Westchester County there are 141,000 senior citizens, and approximately 9,500 SSI recipients, the majority of which are senior citizens. We project an increase to 16,000 recipients by the end of this year. Of the 9,500 now on SSI, 2,500 are those who would not accept welfare, but who now receive SSI benefits. This is to the credit of the SSI program, and vindicates the underlying policy decision by the Congress to institute a federalized Social Security related welfare system.

I would first like to focus your attention upon the impact of an inadequate benefit level. Obviously a flat national ceiling for welfare payments will adversely affect recipients in areas with a relatively high cost of living, such as Westchester. Current benefit levels cannot adequately maintain the health and safety of our recipients, especially as they exacerbate existing social problems such as our chronic housing shortage. I realize this is a problem peculiar to the more affluent sections of the country and therefore do not propose sweeping changes in the structure of SSI. I do however, suggest a remedy that is consistent with the policy underlying SSI, the establishment of a national welfare ceiling and discouragement of welfare shopping. Rather than peg benefit levels to auto-

matic cost of living increases, either on a regional or national basis, I propose that the cost-price index used to compute SSI benefits be brought up to date, and that the resulting increase in benefits be passed along directly to the recipient. I understand that the CPI now being used dates back to 1972, which, in the face of double digit inflation results in a level of benefits that is unacceptable by any standard. Regular updating of the CPI to reflect the real cost of living will permit SSI benefits to reach an adequate level while remaining consistent with the goal of a reasonable nationwide federal ceiling. Although this will have the same result as an automatic pegging of benefits to the Federal CPI, it will preserve the integrity of a separate SSI program. Rather than go into detail now, I submit this to you for analysis and will be happy to have my staff cooperate in this effort.

My second point deals with a one-third reduction of Federal benefits and in my state, a more than two-thirds reduction of state benefits for SSI recipients who live in the household of other persons and who receive in kind services from those persons.

In Westchester this provision reduces benefits from a maximum of \$206.85 to \$110.85. Especially in the case of the handicapped, this requirement creates an incentive for institutionalizing SSI recipients. This reduction in benefits for those who cannot physically maintain their own household may leave them no recourse but institutionalization, no matter what their wishes or needs. Certainly this was not the Congressional intent and I urge repeal of the one-third reduction. I have recently created an Office of the Handicapped in our County Government and hope to be able to document this observation more closely in the future, but I believe it to be accurate not only for the handicapped but for senior citizens, and certain blind recipients in Westchester.

There are other severe problems faced by SSI recipients which are suitable for Congressional action. These include a better definition of SSI eligibility for those who are disabled, provision for emergency needs, deduction of social security benefits from SSI payments, and food stamps problems. Rather than go into detail with respect to these problems, I would refer to what I understand has been the testimony of other witnesses.

There also exist many problems on the state level including a pattern of states passing the costs of the program to the country. I shall not raise these with you today except to note that to a great degree they vitiate the progress made by the SSI program. I believe that most of these also have been called to your attention.

Finally as a county official, I wish to call to your attention burdens placed on county government as an incidental result of the SSI program.

For example, Westchester County was required under court order to make emergency grants to SSI recipients as a result of the Social Security Administration's inability to replace lost or stolen checks. This is an example of a County being forced to remedy failures of the Federal Government.

Additionally, by law the county provides all support services required by SSI recipients, a sizable cost mandated on the county.

I might note another effect of the low benefit levels on counties like Westchester. Where there is a severe housing shortage such as exists in Westchester, these low benefit levels create a market for seriously deteriorated and dilapidated housing, inferior to any other housing available, and especially dangerous for the vulnerable blind, aged, and handicapped recipient. We believe that SSI recipients are thus worse off than other welfare recipients. Surely this was not one of the planned outcomes of the program, but it seems to be an unanticipated and serious side effect which now must be confronted by the county without any aid from the State or Federal governments.

I again urge this Committee to include in its recommendations, recognition of the significant accomplishments and problems of County government. Speaking as a member of the National Association of Counties, I would alert this Committee and the entire Congress of the need to consider more closely the points of view of the operational and service delivery level of government so that we can develop with you the priorities and programs most needed by our people. NACo will continue to press our point of view on a wide range of issues.

I will be active in my state to insure more efficient administration on the County level and greater sensitivity to County government and the needs of the recipient on the state level. I applaud the general aims of SSI. It remains with Congress to sensitize the process on the Federal level, and to make such specific changes as I have offered and have apparently become necessary to preserve the underlying thrust of a federalized welfare level.

ITEM 21. LETTER FROM IRMA MINGES, ADMINISTRATOR, SSI-ALERT PROGRAM, NEW YORK STATE EXECUTIVE DEPARTMENT, OFFICE FOR THE AGING; TO SENATOR FRANK CHURCH, DATED JULY 31, 1974

DEAR SENATOR CHURCH: In accordance with your letter of June 3rd to Mrs. Rhea M. Eckel Clark, Director of the New York State Office for the Aging, we are submitting the enclosed statement for incorporation in the record of the Hearing on SSI which your Committee conducted this month.

[Enclosure]

STATEMENT OF SSI PROBLEMS SUBMITTED BY STANLEY I. HAYES, SR., CHAIRMAN, TEMPORARY COMMITTEE TO MONITOR SSI, NEW YORK STATE OFFICE FOR THE AGING

In April of this year, the Director of the New York State Office for the Aging appointed a committee to advise the Office about major issues relating to SSI, and to suggest corrective administrative and legislative actions needed to realize the intent of Congress to provide economic security with dignity when it enacted the program.

Thirteen members representing all regions of New York State have deliberated with eight resource persons in monthly all-day sessions starting in April. The Committee also conducted a statewide survey, the findings of which confirmed the evidence of Committee members, the State Office on Aging and other statewide organizations of priority problems.

A brief questionnaire was sent in May to a selected list of key agencies and groups with immediate knowledge of problems encountered by SSI applicants and recipients. Since the problems in New York City were well documented, our survey emphasized upstate counties and rural areas. Of the total of 166 returns, only 18 were from New York City. Responses gave conclusive evidence that problems in rural counties differ from urban areas only in terms of numbers, not in types of problems or the human suffering which these have created for our older citizens.

Four classes or organizations participated as follows: 43 local Departments of Social Services; 50 agencies serving only the elderly, including voluntary agencies and County Offices for the Aging; 51 other concerned community organizations such as councils of agencies; 13 hospitals.

Since each class of agency has a different mandate and function, differences in focus on problems and view of prevalence were evident in their responses. Nevertheless, the problem recognized as most prevalent by each class was, "*Non-receipt of SSI check, underpayment or delays*". Responses from the most rural areas documented the impartiality of the computer in making people destitute. Although the volume of such errors has decreased, those who continue to be affected suffer no less acutely: in many instances their desperation deepens with each passing month. Other problems such as stolen checks of course are equally serious.

Recommendation.—Immediate legislation is needed to prevent destitution due to computer errors. The Social Security Administration should provide emergency assistance to replace undelivered or delayed SSI checks or to correct underpayments due to computer errors, change of address, theft of checks, etc.

In addition to the foregoing, each class of respondents in our survey recognized a second problem as being of essentially equal prevalence. One of these concerns "*Difficulty in applying or ascertaining eligibility for SSI.*" While lack of clarity in definitions of disability and delays in medical evaluation continue to be major problems, there is improvement in the application process for the elderly. Understaffing in many of the local Social Security Offices, continues, however, as do delays in processing of applications and visits to the homebound for application interviews. Absence of a full-time Social Security Office in many rural counties creates hardship in terms of travel or toll calls. We are gratified that a recent policy change no longer considers homestead land a liquid asset as many needy applicants with meager homes on more than one acre of land were rejected. However, provisions concerning applicants "living with others" need liberalization as they tend to penalize both the applicant and the family whose care prevents needless and costly institutionalization in many instances. Misinterpretation of "in kind" contributions is also reported as causing erroneous rejections of applicants living with others but paying for rent and food.

Recommendations.—The Social Security Administration should hire additional staff both for interviewing and for processing of applications, and establish full-

time local offices where needed. In addition, definitions and income levels for "living with others" should be liberalized.

Another problem which survey findings indicated to be of almost equal weight is *inadequacy of the SSI payments to meet living expenses*, particularly when high rent is involved. We are deeply concerned that the United States Congress: (1) has not provided for regional variations in cost of living, (2) has failed to enable those States which supplement the basic Federal payment to pass along to SSI clients the cost of living increases in both the Federal payment and in Social Security cash benefits, (3) has not provided for Federal sharing of the mandatory supplement for those "grandfathered" into SSI from public assistance, (4) did not provide federal funds for the recently mandated food stamp bonus, and possible future increases in the bonus value, for the "cash-out" States. Our Committee is particularly distressed (as are thousands of elderly persons affected) about the inequity to the poorest of Social Security recipients who failed to receive the cost of living benefit increase while those fortunate enough to have income above the SSI level are enjoying such increases.

Many disabled and elderly New Yorkers have suffered critical hardship—in some instances catastrophe—because of the inflexibility of the flat grant SSI program. This caused some witnesses testifying last month at Hearings of the Standing Committee on Social Services of the New York State Assembly to call for a return to public assistance. While we would oppose such a backward step, our Committee must underscore that hunger, evictions and other dire emergencies have resulted from the changeover and continue to arise in the face of alarming rent increases and other escalating costs of basic necessities.

Undoubtedly New York is not the only State with striking variations in rent levels, the highest occurring in the suburban counties which surround New York City. Yet even the most rural of the State's regions indicated a concern in our survey about inadequacy of SSI for high rent clients. We would call attention to how little an average or median rent figure means if individuals are to avoid evictions for nonpayment of rent in absence of any available housing of modest cost. For example, the median monthly rent allowance for disabled, aged and blind individuals under public assistance as of December 1, 1973 in New York City was \$84. Yet this median of \$84 represents a range from \$1 to more than \$240, with more than one-third of these individuals receiving between \$100 and over \$240 for monthly rent at that time.

Recommendations.—To ease the hardship resulting from rigid and inadequate payment levels, (1) we urge legislation to correct the inequities when some SSI clients fail to benefit from cost of living increases authorized by Congress. This might mean restructuring the SSI program to assure that the entire SSI population benefits equally. (2) Additionally, we propose a Federal program of protection against increased housing costs when such costs exceed 25% of the maximum SSI payment. Such housing allowance, specifically excluded from SSI as income, would provide a measure of flexibility in an otherwise rigid program and safeguard against evictions during a nationwide shortage of low income housing. (3) We further urge Federal reimbursement to enable States to advance loans for all legitimate emergency needs which may arise with individual SSI recipients for varied reasons.

The other "high prevalence" problem throughout the State concerns *difficulties and delays in establishing or maintaining Medicaid eligibility*, due to problems with the Data Exchange System. Even those determined to be eligible suffer interruption in medical services because Identification Cards, reissued monthly, are delayed. In addition, a change in Federal regulation now denies Medicaid to "essential persons" including spouses, unless they can meet Medicaid eligibility requirements individually.

Recommendations.—Emergency interim procedures should be instituted until the Data Exchange System functions properly, to prevent delays or interruption in Medicaid services. Medicaid coverage for "essential persons" caring for an SSI recipient should be automatic.

Another major problem documented by our survey is widespread difficulties in achieving effective linkage between the Social Security offices and local Departments of Social Services. This was foreseen by the New York State Office which last year contracted with the New York State Department of Social Services to conduct a project to develop adequate linkages for the delivery of social services to SSI clients. This includes a training program for Social Security Administration staff on referral techniques, preparation of information and referral resource material, and a demonstration in outstationing service workers from local Social Service Districts in District Social Security Offices to supplement referral activi-

ties of the latter. Meanwhile evidence indicates that the information and referral function is not currently being performed in Social Security offices and SSI clients are not routinely being informed of the availability of services.

A final problem in our survey was "Inability to Handle Own Funds—Mentally Impaired." Although our respondents did not check "many" as being involved, 107 of the 166 respondents did indicate this to be a known problem. This of course relates to the Disabled as well as the elderly who mismanage funds due to mental retardation or impairment. It is a significant issue requiring solution since the former "two party payment" system with accompanying services under the Department of Social Services was lost in the transfer. Although the Social Security Administration provides for a Representative Payee, the procedures involved make it difficult to arrange.

Our survey also asked respondents to list other organizations which were sufficient concerned about SSI problems to hold meetings on the subject. The first 113 respondents listed over 250 such meetings, some listing five or more local groups. Included was a wide range and variety of actively concerned community organizations throughout the State.

ITEM 22. LETTER FROM JOE L. MARTINEZ, STATE COORDINATOR, SSI-ALERT PROJECT, STATE OF NEW MEXICO, COMMISSION ON AGING, SANTA FE, N. MEX.; TO SENATOR FRANK CHURCH, DATED JULY 15, 1974

DEAR SENATOR CHURCH: We are pleased to have the opportunity to submit statements relative to the Supplemental Security Income (SSI) Program in New Mexico and, more specifically, Project SSI Alert.

In spite of certain difficulties which are enumerated, Project SSI Alert may be said to be successful in New Mexico both administratively and programmatically.

Because of the limited capability of the majority of Red Cross Chapters in the state, only five chapters in five counties of our 32 elected to accept the lead role for implementation in specific SSA districts. This had the effect of placing greater responsibility on these chapters in terms of geographic coverage since only one other agency (Home Education Livelihood Program or "Help", an OEO project) outside of Red Cross agreed to assume leadership for the program in its area. This immediately suggested that time and distance factors in relation to the remote and sparsely populated rural communities would have a limiting effect. More local contact was necessary.

The price of gasoline and the reduced speed limit provided for a limitation of capabilities in terms of having maximum mobility. Thus, a time loss was experienced in recruitment and training of an immediate volunteer force large enough to achieve maximum penetration in each of the several counties during the project period. However, New Mexico did have state-wide coverage.

Initial funding, as you will recall, was for only a 90-day project period (January–March 31, 1974). We submitted a supplemental application for additional funds and an extension of the project period through June 30, 1974, or until project completion. The application was approved, but it took considerable time for the funds to be made available. As a result, momentum which had been achieved or was under way, was slowed down or lost to a considerable extent.

Interest also was reduced. This could have been avoided if the funding and project period would have been for six months at least, as originally anticipated by the Administration on Aging.

The terminology "*Supplemental Security Income*" created problems in that this program was confused with "*Social Security*" *per se*. The misconception that benefits from the new public assistance program for Supplemental Security Income was one and the same as earned and shared Social Security benefits was a deterring factor in getting some people interested in applying for different or new benefits under SSI. Some people believed that they were already getting SSI benefits, or that they need not apply or reapply. This necessitated extra effort on the part of Red Cross volunteers (and SSA personnel) in emphasizing SSI as a completely new federal program to replace Old Age Assistance, and Aid to the Blind and Disabled. Consideration should be given at the Congressional level to change the terminology and simply call it the *Supplemental Income Program*.

The SSI Alert Project was carried out with quite a lot of enthusiasm by all concerned in the State Agency and cooperating Red Cross Chapters. Without a

doubt Project SSI Alert was a worthwhile effort because it positively affects the welfare of many old, blind, and disabled persons in New Mexico, although we do not have specific data as to how many.

Thank you for the opportunity to give your Committee some of our observations.

ITEM 23. STATEMENT OF DAVID C. CROWLEY, EXECUTIVE DIRECTOR, OHIO COMMISSION ON AGING, DEPARTMENT OF PUBLIC WELFARE, MENTAL HEALTH AND MENTAL RETARDATION

We in the State of Ohio are aware that the Supplemental Security Income program as implemented in January, 1974 represents a very real gain for thousands of needy Ohioans and we congratulate the Congress on its success. However, we would be lax in our obligations to Ohio's poor if we did not take this opportunity to enumerate some of the more serious deficiencies in the program.

MAJOR PROBLEM AREAS

1. *The Lack of an Emergency Assistance Program Through the Social Security Offices to Meet Immediate Needs.*

Unmet emergent needs have reached epidemic proportions in Ohio. In Franklin County (Columbus, Ohio) alone, some 1400+ people who applied for emergency assistance in January were refused cash assistance by both SSA and the County Welfare Department.

Under the former adult public assistance programs, needy persons whose disability applications were pending could receive interim assistance from the County Welfare Department. Such assistance was fifty percent Federally funded. This program was abolished by PL 92-603 (SSI). The SSA will issue emergency assistance to applicants only if the person is determined eligible at the time of application. Disabled applicants must be either paraplegic, double amputees, deaf or obviously blind in order to receive an immediate cash payment of up to \$100. Obviously, most people do not meet these criteria. Ohio's County Welfare Departments can issue emergency assistance or General Relief (GR), but it is funded entirely out of state and county funds.

2. *The Delays in Determining Eligibility for Programs, Especially for Disability.*

a. Disability determinations are taking three to six months. Applicants are relying on state and county assistance which is then considered as income to them when SSA determines retroactive benefits. The total of state assistance received is deducted from retroactive SSI payments.

b. Disability "roll back" cases add to the delay. The requirement that some former APTD recipients be found eligible in accordance with Title II guidelines has created a backlog in the Disability Determination Unit.

c. The twelve month duration requirement for disability makes it difficult to establish mental disability. Release from an institution can be construed (and has been) as an improved condition resulting in denial of benefits.

3. *Processing Delays.*—There are processing delays in actually issuing checks and an unwillingness of SSA officials to employ available alternatives when routine procedures fail. SSA representatives are unable to inform eligible applicants when to expect the first check. When checks fail to arrive as scheduled, recipients are not aware that SSA can authorize a retroactive payment and bypass the computer operation. Too frequently, unless the client has specifically requested a retroactive one-time payment, the service is not offered. At best, this procedure requires five days before the check is received. This delay creates an additional burden for local welfare departments and other service agencies.

4. *The Denial or Reduction of Benefits to Applicants Based Solely on Their Living Arrangements.*

a. *One-third reduction for living in another's household.* People who live in the household of another automatically have financial eligibility and/or payment reduced by $\frac{1}{3}$. Their needs are assumed to be less because of in-kind contributions from those with whom they live. This occurs regardless of the relationship of the persons involved or the financial status of such persons. The result is that people with no legal obligation to provide support to the needy persons and who may themselves have little or no income are assumed to contribute at least $\frac{1}{3}$ of his or her subsistence.

b. *Married couples who live apart.*—SSA requires that married couples either obtain a legal separation or be physically separated for six months before

authorizing separate payments to eligible couples. This creates an undue hardship on persons who obviously can't afford legal assistance. It also offers the opportunity for the payee spouse to refuse support to the other party.

c. Definition of "Institution" and "Public Institution" to Exclude Many Protective Living Arrangements.

People living in public institutions not certified for medicaid or medicare payments are not eligible for SSI payments. An institution has been defined in regulation as a group living situation wherein four (4) or more people unrelated to the operator are provided with any remedial care or service in addition to room and board. Therefore, protective living arrangements for physically and mentally disabled persons who do not require full nursing care are considered institutions. Homes for the retarded have been particularly affected as they historically have depended on Federal assistance payments to residents for a major portion of their operating funds. These homes are not in any valid sense institutions. They are, in fact, established as alternatives to institutions and nursing homes for individuals who need some service or supervision but do not need constant medical or custodial care.

Further, if private facilities are under contract to public agencies for the provision of services to certain persons who can't otherwise afford services, SSA has ruled that they may be found to be "public".

d. Prohibiting SSI Payments to Residents of Certain Public Institutions.—This prohibition has created a hardship for residents of certain county-operated facilities in Ohio, many of which provide the only protective living arrangements available in the community. The denial of SSI benefits to these residents is contrary to the purpose of PL 22-603, that is, to provide a minimum income for needy adults, by denying individuals the right to choose a residence that meets their needs.

5. "Deeming of Income" and Putting an Unrealistic Cash Value on In-Kind Services so as to Reduce Grants.

The difference between the payment an individual makes to a private "institution" and the actual cost of care is considered (deemed) as income to the recipient and is subtracted from his grant. This begins an infinite subtraction process that results in a zero award. This process is selectively applied to residents of private rest homes and other philanthropic institutions.

If this process were used in all such situations, even residents of public housing would be affected because they don't pay the full cost of occupancy. The procedure is, however, being used as a means of enforcing standards on facilities that don't meet medicaid certification standards. It is our feeling that such actions contravene the intent of PL 92-603; that is, to provide a minimum income to needy aged, blind and disabled. While we recognize the need to regulate and enforce standards on institutions we question the propriety of using an income maintenance program to do this. The recipient is the one who suffers most from this policy.

6. Designating Certain Personal Property and Real Property as Resources. Assigning Unrealistic Values to Same and, thus, "Appraising" People Out of Needed Benefits.

SSA regulations permit recipients to own a house and real property of a value not to exceed \$25,000. Regulations further provide that homestead land in excess of one acre, if not income-producing, will be countable as a liquid resource. Such resources cannot exceed \$1500 in total value. Frequently, elderly people own small "farms" or homesteads in excess of one acre which are neither income-producing nor marketable. This is particularly acute in Ohio's Appalachian counties where land is inaccessible and cannot be profitably cultivated. Even an appraised value as low as fifty dollars an acre on one hundred acres makes people ineligible. In Meigs County, Ohio, alone, forty percent of the SSI-Alert referrals processed were denied on the basis of the potential market value of land, even though the land represented no immediate income to the applicants and in most cases was untillable and fit only for hunting or fishing. The net effect of this regulation has been to create an artificial market benefiting only the land speculators and unjustly depriving many individuals of SSI benefits. Elderly residents are faced with selling family homesteads to live, if a buyer can be found.

Personal possessions of elderly applicants are inventoried and assigned "antique" value, again appraising people out of eligibility. More importantly such practices demean the dignity and independence of applicants.

7. Differences in Eligibility Standards for Medicaid and Food Stamps Lead to Confusion as to Who's Eligible.—Requirement for separate applications for these programs effectively disenfranchises eligible people who are unaware of the programs or unable to make application.

8. *Rights and Hearings.*—SSA fails to provide applicants with a full explanation of rights and entitlements under SSI. SSA relies on printed pamphlets which are lacking in detail and frequently beyond the ability of the applicant to comprehend. Pressures of time and caseload frequently cause claims representatives to be lax in explaining specific decisions or eligibility criteria to applicants.

Hearing procedures proposed by SSA require considerable sophistication on the part of the applicant. Requirements for written statements of material evidence prior to hearing, written notice of intent and other such legalistic requirements practically guarantee that hearings will be kept to a minimum.

RECOMMENDATIONS

Having enumerated what we consider to be major problem areas, we feel obligated to suggest some changes. It is important to realize that some of these recommendations could be achieved through regulatory changes. However, it is our experience that, unless Congress indicates a preference for a particular interpretation, SSA remains intransigent with regard to rule changes. Witness the reluctance with which SSA finally agreed to participate with the Administration on Aging in an outreach effort to publicize the program to potential eligibles. In view of this reluctance, we have suggested some legislative alternatives to essential problems of regulation.

1. *Emergency Assistance Program Administered by SSA.*

- a. Avoid shuffling applicants from one agency to another.
- b. Alleviate the frustration of SSA staff at being unable to immediately assist people.
- c. Avoid the management problems inherent in reimbursing states for assistance given. For Ohio's position on current proposals to this effect.

2. *Provide for Expanded Presumptive Disability and Liberalize Disability Criteria.*

- a. Presumptive eligibility similar to that used in previous APTD programs permits large numbers of eligible persons to be put on payment rolls immediately.
- b. Liberalized disability criteria should take into account both the unpredictable nature on mental disabilities and the socio-economic factors affecting employment of particularly middle-aged low-income laborers.

3. *Require Immediate Cash Payment be Issued Whenever Check Fails to Reach Eligible Recipient.*

4. *Living Arrangements.*

- a. Eliminate the automatic one-third reduction.
- b. Make separate payments to couples based on individual's eligibility regardless of marital status. Provide immediate adjustment of payment levels when physical separation is reported.
- c. Exclude specific residential facilities and group homes from the definition of institution.

d. *Revoke the prohibition on payments to residents of public institutions.*

5. *In-Kind and State-Local Support.*—Exclude in-kind from countable income when provided by a residence facility and exclude vendor payments from governmental entities to residence facilities from countable income.

6. *Require the Secretary to Allow More Flexibility in Determining Value of Resources.*—Specifically require that consideration be made of available market, tax appraised value based on current use, equity, and current income-producing value when assessing land values. Provide that no one be denied benefits simply because homestead land can't be sold.

7. *Medicaid.*—Extend medicaid to all SSI recipients by Federal mandate. Provide fiscal incentive to states by putting increased expenditures under some "hold harmless" level relative to previous expenditures for adult welfare programs or by increasing Federal reimbursement rate.

8. *Hearings.*—Outline simplified hearing procedures similar to those used in public assistance programs.

9. *Advocacy.*—Require that SSA establish an internal advocacy system and make available in district offices space for client advocate groups or individuals to operate.

ITEM 24. LETTER FROM ANDREW J. BIEMILLER, DIRECTOR, DEPARTMENT OF LEGISLATION, AFL-CIO, WASHINGTON, D.C.; TO SENATOR FRANK CHURCH, DATED AUGUST 9, 1974

DEAR MR. CHAIRMAN: I am writing this letter to express the viewpoint of the AFL-CIO on the new Supplemental Security Income Program (SSI) and re-

spectfully request that it be made a part of the record of the SSI hearings of the Senate Special Committee on Aging.

For many years the AFL-CIO supported changes which would remove the inequities of the federal-state programs for the aged, blind and disabled. There had long been a need for uniform, national eligibility requirements and a federal income floor to eliminate poverty among these groups. The AFL-CIO, therefore, supported and welcomed the establishment of the SSI program. We are aware that federalization of these programs was a complex process and that the legislation was only a step forward and a foundation on which to develop a fully adequate program. The AFL-CIO holds this view still. Our criticisms are made constructively in the hope that process of development will be pursued. It would not be possible to outline in a letter all the AFL-CIO suggestions for improving the program. We would, however, like to direct the attention of your Committee to those we feel deserve priority.

OUTREACH

The single most important problem needing resolution is to enable those who are eligible to receive benefits. Although the exact size of the newly eligible population cannot be precisely stated, no reputable estimate, including that of the Social Security Administration itself, is less than approximately 3 million people and some run as high as 6 million. Yet, only a little more than 300,000 persons, a mere 5 to 10 percent of this potential group, were actually receiving benefits in April of this year. Though no one expected all newly eligible recipients to be receiving benefits at the present time, it is clear that something is seriously wrong with the outreach program when such a small number of the potential total is receiving benefits. The Social Security Administration had a lead time of 15 months before the program began and an additional 7 months since the program started. There is no reason that a large majority of newly eligibles should not now be receiving SSI benefits. This sad performance raises the question whether there has not been a deliberate policy designed to protect the Administration budget at the expense of poor aged, blind and disabled people. Unless the Administration is prodded into greater efforts, there is a good possibility that the program will stabilize with only a fraction of those newly eligible participating.

COST-OF-LIVING ESCALATOR

Basic SSI benefit levels are much too low and recipients are unable to live decently on them. This problem has been greatly aggravated by rapidly rising living costs and the absence of any provision to compensate for the effects of inflation. This is a particular problem in states that supplement the basic Federal SSI payment. Recipients in many of these States have seen social security benefits increase 11 percent and SSI Federal payments 12 percent without seeing any change in their income because their supplementary SSI payments have been reduced as their social security and basic SSI payments have risen. This is grossly unfair in a period of double digit inflation.

The recent amendment which Congress added to H.R. 8217 does resolve the problem as far as the basic Federal benefit is concerned but does not insure cost of living increases in those states that supplement the basic Federal minimum. Not only should there be automatic increases in the Federal SSI benefits to parallel increases for social security cash benefit recipients but provision should be made to insure that states that make supplemental SSI payments will also increase their payments to reflect increases in living costs.

INADEQUATE FEDERAL PAYMENT LEVEL

The income floor represented by the Federal payment level should be increased to at least the poverty level. It is a reasonable objective to guarantee the elderly, blind and disabled persons sufficient income to lift them from poverty. Those who suffer the most among the aged, blind and disabled are those that have incomes below the poverty line and a cost of living escalator cannot resolve their problem. They are locked into a desperate struggle to make an inadequate income cover high priced food, fuel and other necessities. Little wonder they are bitter and feel they are forgotten Americans. A full and just resolution of the economic problems of the aged, blind and disabled requires that the basic Federal program guarantee an income at or above the poverty level.

You and the Committee are to be commended for the initiative you have taken to call to public and congressional attention the problems developing in the SSI program. The hearings held by your Committee will do much to insure that the

program's tremendous potential will be achieved. Once again, the Senate Special Committee on Aging has demonstrated a leadership and concern that has made it a major force in behalf of the well being of elderly people.

ITEM 25. LETTER FROM WILEY M. CRITTENDEN, JR., PRESIDENT, AMERICAN NURSING HOME ASSOCIATION, WASHINGTON, D.C.; TO SENATOR FRANK CHURCH, DATED JULY 16, 1974

DEAR SENATOR CHURCH: This is in response to your letter of June 14, 1974 requesting written testimony from the American Nursing Home Association on the Supplemental Security Income Program (SSI).

The American Nursing Home Association represents over 7,400 long-term care facilities across the nation containing almost 566,000 patient care beds. The Association has a significant and continuing interest in the SSI Program as many of the patients and residents in long-term care facilities are potential or actual recipients of benefits under the new Federal program of financial assistance to the aged, blind and disabled.

During the first few months of the SSI Program, individuals were experiencing long delays in the receipt of benefits. For the recipients, the problems associated with delays are clear. The Association has been informed by the Social Security Administration's Bureau of Supplemental Security Income, which administers the SSI Program, that they are undertaking every effort to expedite the determination and payment process. However, after almost eight months of operation, many individuals still encounter what appear to be long and unwarranted delays resulting in unnecessary inconvenience and in some cases, severe hardship. The Association is not in a position to offer any solutions that would be designed to rectify this situation. We do know, however, that the Social Security Administration continues to work diligently to solve this problem, but in the meantime we have requested that SSA make every effort to insure that no potential recipient needlessly suffers during the determination of eligibility and actual payment process.

Another problem associated with the SSI Program concerns the determination or eligibility for coverage under the Title XIX Medicaid program. As a result of the double eligibility determination process, another delay is created with its accompanying uncertainty resulting in the possible postponement of required medical care. The Association recommends that the eligibility for Medicaid be determined at the same time as eligibility for SSI benefits. We believe this joint determination will result in significant savings of time and resources.

A number of States have been terminating payment under Title XIX for care provided in intermediate care facilities for SSI recipients where the State deems that such care is unnecessary. These States are under the assumption that by terminating Medicaid payments and transferring the patient to a non-Title XIX residential care facility, the State will save significant amounts of its funds as the State would not be contributing to the cost of care under the Title XIX program. The individual must then pay for their care with SSI benefits. The resident suffers in that the SSI payment (including state supplemental payment when appropriate) is not sufficient to provide the high quality attention in a safe and pleasant surrounding as the individuals require and deserve. While current law contains prohibitions against States using the SSI program to finance care in uncertified facilities, the prohibition necessarily turns on the question of whether or not the patient's needs qualify him for intermediate care under the Title XIX program. Hence, an overly restrictive application of the level of care definition can result in displacement of individuals into non-Title XIX facilities. The Association recommends that the Department develop an effective method of insuring that individuals who require intermediate care are not arbitrarily disqualified from the Medicaid coverage to which they are entitled.

Additionally, because of the flat payment system there is no method by which such payments can be related to cost differentials between various types and locations of facilities. In many instances, the provider is forced to absorb any difference between the amount the resident can afford to pay for the actual cost of providing the care of services.

There is one provision in the SSI legislation which the Association strongly believes must be revised. The legislation provides that after 30 calendar days, a SSI recipient who is in a long-term care facility where Title XIX is paying over 50% of the cost of their care will have their SSI benefits reduced to a \$25.00 per-

sonal needs allowance to cover incidental costs during their stay in the facility. This provision encourages further institutionalization in that the recipient may not be able to continue their rent or mortgage payments as a result of their reduced benefits during their institutionalization. The program makes no allowance for non-institutionally related expenses and may cause an unnecessary disruption of home life for single individuals. This provision also has a significant impact on married couples in that the program does not make any allowance for the support of the non-eligible spouse of an eligible individual who is institutionalized. The Association recommends that the Social Security Administration be given a greater degree of flexibility in determining when and by how much an individual's SSI payment should be reduced during institutionalization.

The SSI legislation provides that an inmate of a public institution shall not be eligible for SSI benefits. The Social Security Administration has interpreted "inmate" and "public institution" to include residents of residential care facilities which are owned by local governmental bodies. Such institutions are not "public institutions" in a real sense and the residents are certainly not "inmates". This strict interpretation may place a severe financial burden on both the local government and the resident. With the significantly reduced income, the facility is placed in the position of seeking revenue from the local government to make up any deficits or closing down resulting in hardship for all its residents. The Association requests that a government owned non-Title XIX facility not be included in the definition of "public institution" and that their residents be deemed eligible for SSI benefits.

The Association is pleased to note Senator Mondale's amendment to H.R. S217 that is designed to provide for an automatic cost-of-living increase in the basic Federal SSI payment and the State supplemental payments. We believe that such a provision is absolutely necessary to safeguard recipients against inflation.

I am grateful for this opportunity to make our views known to the Committee, and hope that these comments are helpful to you as you seek solutions in this problem area. Be assured that ANHA stands ready to assist the Committee in achieving necessary corrective measures to insure that the aims of the SSI program are fulfilled.



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- Part 1. Washington, D.C., January 15, 1973.
- Part 2. Washington, D.C., January 22, 1973.
- Part 3. Washington, D.C., January 23, 1973.
- Part 4. Washington, D.C., July 25, 1973.
- Part 5. Washington, D.C., July 26, 1973.
- Part 6. Twin Falls, Idaho, May 16, 1974.
- Part 7. Washington, D.C., July 15, 1974.
- Part 8. Washington, D.C., July 16, 1974.
- Part 9. Washington, D.C., March 18, 1975.
- Part 10. Washington, D.C., March 19, 1975.
- Part 11. Washington, D.C., March 20, 1975.
- Part 12. Washington, D.C., May 1, 1975.
- Part 13. San Francisco, Calif., May 15, 1975.
- Part 14. Los Angeles, Calif., May 16, 1975.
- Part 15. Des Moines, Iowa, May 19, 1975.
- Part 16. Newark, N.J., June 30, 1975.

(Additional hearings anticipated but not scheduled at time of this printing.)

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FUTURE DIRECTIONS IN SOCIAL SECURITY

TUESDAY, MARCH 18, 1975

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room 3302, Dirksen Building, Hon. Frank Church, chairman, presiding.

Present: Senators Church, Moss, Fong, Percy, and Clark.

Also present: William E. Oriol, staff director; David Affeldt, chief counsel; John Guy Miller, minority staff director; Margaret Fayé, minority professional staff member; Patricia Oriol, chief clerk; Kathryn Dann, assistant chief clerk; Gerald Strickler, printing assistant; and Dorothy McCamman, consultant.

Senator Church. The hearing will come to order.

Senator Fong tells me that he will have to be absent temporarily this morning for an appointment in his office with the Secretary of the Army.

Before you leave, Senator, do you have a statement you would like to make?

STATEMENT BY SENATOR HIRAM L. FONG

Senator Fong. Yes, Mr. Chairman. I want to compliment you on the decision to hold hearings today, tomorrow, and Thursday on the report of the Advisory Council on Social Security which was released week before last and the Advisory Council's deliberations since it was appointed by the Secretary of Health, Education, and Welfare.

Nothing done under auspices of the Federal Government is more directly important to the American people than social security.

OASDI, medicare, SSI, and other Social Security Act programs are so vital to the well-being of all our citizens as a first line of individual economic security that no stone should be left unturned in our efforts to strengthen and maintain them.

Whether as beneficiaries, current or potential, or as taxpayers contributing to the system's support, all Americans are affected by decisions regarding social security's future.

This morning I will have a number of questions to address to our witnesses. For some, I would like answers today. There are others for which written answers to be submitted for the printed record will suffice.*

These hearings related to the system's recent review by the Advisory Council on Social Security are very appropriate. For several years I

*See p. 844.

have been most concerned about social security review mechanisms. I welcome the opportunity to hear from representatives of one of them.

I strongly share the opinion of this Advisory Council that current provisions for review are inadequate. As one method of correcting this inadequacy, I have introduced Senate Joint Resolution 5 to establish an independent, bipartisan National Social Security Commission.

This proposal for continuing review of social security is cosponsored by Senators Paul J. Fannin, John Tower, Strom Thurmond, Bill Brock, Pete V. Domenici, and Clifford P. Hansen.

Because I believe it is pertinent to our work today, I ask that my statement to the Senate about Senate Joint Resolution 5, March 13, be made a part of this hearing's record at this point.

Senator CHURCH. Without objection, this statement will become a part of the record.*

Senator CHURCH. Welcome. Mr. Van Gorkom. I have a message from the Senator from Illinois, Senator Percy, who hopes to be here later this morning, but he called me to explain that he has to chair another hearing, and though he had hoped to be here at the time of your testimony, he will come as soon as he can complete that hearing, as soon as he is free.

He wanted me to explain that to you.

Mr. VAN GORKOM. Thank you.

OPENING STATEMENT BY SENATOR FRANK CHURCH, CHAIRMAN

Senator CHURCH. Today the Senate Committee on Aging continues its hearings on "Future Directions in Social Security" under circumstances far different from those which confronted us 2 years ago when the first testimony was taken.

At that time the Congress could take some satisfaction from several major achievements.

We had just enacted a 20-percent across-the-board increase.

We had established an automatic cost-of-living adjustment mechanism to keep social security benefits roughly apace with price changes.

And for those aged, blind, and disabled persons whose other sources of income just could not come close to a very meager living standard, we had established the Supplemental Security Income, or SSI, program.

It seemed like a well-balanced program, one which could be improved gradually and innovatively over the years, or even over the decades.

Well, inflation changed all that in a hurry. From October 1972 to December 1974, the increase in the Consumer Price Index was 23 percent, but the increase in social security benefits rose by only 11 percent, and to get even that increase, the Congress had to sidestep administration opposition.

Inflation still goes on, of course. And for that reason, many of us in Congress expected that the cost-of-living adjustment provision enacted in 1972 would be implemented this July and would not be tampered with. Based upon present estimates this would be about an 8.7-percent increase—just to keep up with the cost of groceries and other necessities.

*See appendix 1, p. 859.

PRESIDENTIAL FREEZE

But President Ford has another plan in mind. He wants to keep that increase to 5 percent, not almost 9 percent. This so-called freeze of his, I feel, makes little sense for many reasons:

(1) It ignores a compact made by the Congress of the United States with the people of the United States. That compact called for just and fair treatment, not an arbitrary limit which came right out of the Office of Management and Budget, not from any real understanding of what is happening to the old people of this Nation.

(2) The President's proposal is supposedly based upon budgetary considerations, and yet his social security scheme, as well as his proposal to increase medicare funds, distorts the budget picture considerably. He's using trust fund money to give the appearance that he is reducing an overall deficit, and this is simply not the case.

Can the President believe that most social security recipients do not need the money?

I have already said that as of December the increase in social security benefits was only 11 percent, as compared with a 23 percent cost-of-living increase.

What would happen if the full 8.7 percent automatic increase which is to go into effect this July, as mandated by the Congress, were to take effect?

Even then, the total increase from October 1972 to mid-1975 in social security benefits would stand at 21 percent, while the projected increase in the Consumer Price Index for the same period would be 8 percentage points higher: 29 percent.

As for the President's proposal: A 5-percent increase in social security benefits would bring increases since 1972 to 17 percent, 12 percent lower than the actual increase in the cost of living.

I have taken action to insure that the President's plan is rejected by the Congress, and I am happy to have the support of more than half the membership of the Senate in this effort.

We in the Senate were swayed, I think, not only by the stark statistics of cost-of-living versus social security benefits.

We also encountered, in our offices and in our home States, people who want to know how social security could help them through this perplexing period of inflation and recession at the same time.

I have pulled out from my files some of the letters received within just the past few weeks.

Let me read a few paragraphs here:

From Philadelphia, Pa.:

I am 77 years of age, retired by compulsion in 1966, without any pension. . . . It gets kind of sticky sometimes but I try. I am very concerned about President Ford and his austerity program. He has put a restriction on the 8.7 percent Social Security rise to 5 percent during this year, which means practically nothing commensurate with the rising prices. Still he can send millions of dollars overseas to other countries. It doesn't make sense to me.

From Flushing, N.Y.:

I am asking you . . . for no Social Security cut in our coming increase. This increase is for last year, not even this. In my case I had to retire to care for a husband who had a stroke 9 years ago and was getting no better, so I retired in May. My rent went up twice since, plus everything else.

From Tucson, Ariz.:

I am 85 years old. I paid income taxes 1920 to 1970—Social Security taxes 1937 to 1970. I have a home paid for which high taxes are about to take from under me. I had enough money saved for my last illness and burial. This eaten away by inflation. Very little income other than Social Security. What can be done for the millions like me—we also helped build our wonderful economy. . . . The superstores are going wild since February 1, increasing some 20 percent.

From Erie, Pa.:

Rents hereabouts, even the slummiest, are so high, by the time they are paid, three-fourths of one's income is gone. Social Security plus SSI (Supplementary Security Income) \$93 equals \$185 a month. That's my only and total income. Oh, yes, \$46 of food stamps for \$36 (then, they are going up, too). The rents . . . well, what isn't. Think suicide will solve all problems.

Well, the Congress has to pay attention to people who tell us about the very real day-to-day crises facing older persons on fixed incomes.

Congress also has to pay attention to the alarms and warnings that are now being heard about the future of the social security system.

I do not think there can be any doubt about the fact that a reexamination of the immediate and long-range future of social security is in order.

We have never had a period quite like this before.

We have inflation and recession at the same time.

We have the prospect of a growing percentage of retired persons and a lessening number of people still in the workforce, culminating in the first quarter of the next century with the coming of retirement age by the so-called baby boom population born during World War II and in the following decade or so.

We have the growing realization that automatic cost-of-living increases must be inspected regularly and thoroughly to make certain that they do their fundamental job—keeping up with living cost increases—and do not become windfalls.

Clearly any one of these developments would represent a major challenge. But we have all of them to consider at these hearings and in other forums.

Nevertheless, I find little reason for the wave of scare stories I have seen within recent weeks about the future of the social security system.

I have seen headlines which say, in effect or literally, "Social Security Going Broke." Careful newspapers put a question mark at the end of that headline. The careless do not.

I have seen even a cartoon showing a facsimile of a social security card. Stamped across the face of it were the words: "Insufficient Funds." There was not a word more of explanation. That was it.

Yes, we do have work to do on our social security system.

We have to deal with present crises while foreseeing future adjustments, many of them of major magnitude.

But from my own analysis of the situation, we do have the time to make those adjustments. And we can preserve the essential feature of our present system while doing so.

With matters of such importance to discuss, I am anxious to hear from our witnesses, and I will now begin this hearing.

I want to acknowledge before I move to the first witness, Senator Clark has arrived.

Senator CLARK. I have a statement which I would simply like to submit for the record.

Senator CHURCH. Very well. Your statement will be included at this point in the record, and we do thank you.

STATEMENT BY SENATOR DICK CLARK

Senator CLARK. I'd like to first express my appreciation to Senator Frank Church, chairman of the Senate Special Committee on Aging, for calling these hearings on future directions in social security. The Senate Special Committee on Aging has been investigating a number of issues concerning the social security system for some time now, and this week's hearings represent a continuation of this past effort.

The social security system celebrates its 40th anniversary during 1975. Such an event might usually go unnoticed. But that will not be the case with the social security system this year because a great deal of debate has surfaced over the financial status of the system and the level of benefits it provides. The result of that debate will have a crucial effect on the lives of millions of Americans, and it is with the gravest concern for the integrity and future of the social insurance program that all of us are participating in these hearings and in the debate on the future directions of social security.

Social security is one of the most successful programs ever enacted by the Congress. It benefits virtually every member of the society—dependents, students, young workers, the disabled and older citizens—and that benefit measurably improves the quality of life for millions of Americans.

The social security program is not a "welfare" program designed to eliminate the burden of poverty. Workers contribute to the system, and in return they receive benefits as an earned right.

Social security pays monthly cash benefits to over 30 million Americans, and over 21 million aged and disabled people get part of their medical and hospital bills paid by the two-part medicare program. Social security is a disability program and a health insurance program combined, and it provides monthly life insurance when the family's breadwinner dies. To pay for these benefits, there is a financing mechanism through payroll contributions. Without this mechanism, the benefits would not be available.

The social security system is a national cooperative program, and it has allowed millions of Americans to enjoy a productive and fulfilling life without the fear of economic disaster in times of need. But over the years, some people have questioned its effectiveness. And, the inflation and recession now tearing at this country have emphasized both the need for a sound social security system and the need to correct the shortcomings of the present system.

Because of all this, I introduced S. 410—the Social Security Reform Act—on January 28. This bill is a comprehensive reform of the system. It would provide more protection for younger workers and their dependents, more protection for older workers and it would afford older citizens the income and health security that they need and deserve. The bill incorporates a series of provisions, including some that have been introduced in Congress and discussed before committees previ-

ously, and it would provide a new financing mechanism for social security and medicare.

These are some of the highlights of the legislation:

- Establishment of an independent Social Security Administration.
- A consumer Price Index for older Americans.
- Semiannual cost-of-living benefit increases.
- An increase of Supplemental Security Income payments to \$2,400 a year for individuals, and \$3,000 a year for couples.
- Revision of the definition of disability to include occupational disabilities.
- Unification of the two-part Medicare program and elimination of the \$6.70 monthly premium payment.
- Elimination of coinsurance under Medicare.
- Coverage of out-of-hospital prescription drugs.
- Establishment of a Medicare long-term benefit program.
- General revenue financing for improvements in Medicare benefits provided in this legislation.
- Increase in the earnings base to \$18,000 in 1976, \$21,000 in 1977, and \$24,000 in 1978.

This legislation was designed to respond to the unmet potential and the obvious problems associated with the social security system. And, it was designed to give the consumers—those people who are contributing to the system through payroll taxes and those who receive benefits from social security—a better return on their investment.

For too many years older Americans have been struggling to live on meager incomes and suffer the consequences of inadequate health coverage. That trend must be turned around.

During the course of these hearings, we will hear stories about the discouraging long-run financial status of the social security trust funds. But we should not lose sight of the unresolved needs of this country's older and disabled Americans. So with this in mind, I look forward to this session.

Senator CHURCH. I would like to include at this point in the record a committee staff report on the impact of inflation upon the elderly, and facsimiles of several charts prepared for these hearings with the help of the Library of Congress.

[The material referred to follows:]

**IMPACT OF INFLATION UPON OLDER AMERICANS—STAFF REPORT BY THE
SENATE SPECIAL COMMITTEE ON AGING**

From December 1973 to December 1974 the Consumer Price Index rose by 12.2 percent, the most rampant increase in over a quarter of a century. Contrary to the 1973 experience (when the increase was largely concentrated in certain areas, such as food and fuel), the 1974 inflation was across-the-board.

But in the four areas where the elderly have their greatest expenditures—housing, food, medical care, and transportation—the rate of increases exceeded the rise in prices for all other items in the Consumer Price Index by 27 percent to 43 percent. Housing, food, medical care, and transportation account for about 80 percent of the Bureau of Labor Statistics Intermediate Budget for a Retired Couple.

*Percent rise in consumer price index items (from December 1973 to
December 1974)*

	Percent
Food	12.2
Housing ¹	13.7
Medical care	12.4
Transportation	13.3
All other items	9.6

¹ Include fuel costs.

The following tables provide additional information on the economic squeeze in which so many elderly persons find themselves because of dramatic increases

in living costs. (The 5 percent increase in Social Security increases refers to the proposal made by President Ford to "freeze" a Social Security increase due in July. The 8.7 percent increase in Social Security refers to the projected increase likely to occur under terms of a cost-of-living adjustment mechanism as mandated by the Congress; this July increase would be the first automatic increase based upon increases in the cost of living.)

AVERAGE MONTHLY SOCIAL SECURITY BENEFITS

	Retired worker	Aged couple	Aged widow
December 1974.....	\$183	\$312	\$177
5 percent increase.....	193	329	187
8.7 percent increase.....	200	341	194

Social Security increases lag far behind price rises

	Percent
October 1972 to December 1974: ¹	
Increase in consumer price index.....	23
Increase in Social Security benefits.....	11
October 1972 to July 1975: ¹	
Projected increase in consumer price index.....	29
Increase in Social Security benefits with 5 percent increase in July 1975.....	² 17
Increase in Social Security benefits with 8.7 percent increase in July 1975.....	² 21

¹ Rounded to nearest whole percent.

² Aggregate with July cost-of-living increase added to 11 percent Social Security raise in 1974.

SUPPLEMENTAL SECURITY INCOME STANDARDS (MONTHLY)

	Aged individual ¹	Aged couple ¹
December 1974.....	\$146.00	\$219.00
5 percent increase.....	153.30	230.00
8.7 percent increase.....	158.70	238.10

¹ Rounded to nearest dime.

POVERTY LEVELS

	1974 estimates, weighted basis
Single aged person.....	\$2,360
2-person family with head aged 65 or older.....	2,930

BUREAU OF LABOR STATISTICS BUDGETS (AUTUMN 1974 ESTIMATES)

	Retired individual ¹	Retired couple
Lower budget.....	\$3,330	\$4,215
Intermediate budget.....	4,791	6,064
Higher budget.....	7,116	9,008

¹ Estimated at 79 percent of couple's budget.

WHAT ELDERLY PERSONS ARE SAYING¹ ABOUT LIVING COSTS AND THE PROPOSED 5 PERCENT FREEZE

From Philadelphia, Pa.: "I am 77 years of age, retired by compulsion in 1966, without any pension... It gets kind of sticky sometimes but I try. I am very

¹ In letters received by Senator Church as Chairman of the Senate Special Committee on Aging within the past few weeks.

concerned about President Ford and his austerity program. He has put a restriction on the 8.7 percent Social Security rise to 5 percent during this year, which means practically nothing commensurate with the rising prices. Still he can send millions of dollars overseas to other countries. It doesn't make sense to me. Even animals take care of their own first."

From Flushing, N.Y.: "I am asking you... for no Social Security cut in our coming increase. This increase is for last year, not even this. In my case I had to retire to care for a husband who had a stroke nine years ago and was getting no better, so I retired in May. My rent went up twice since, plus everything else."

From San Jose, Calif.: "The senior citizens... know that it (the cost of living) has gone up by more than 8.7 percent... They also know that the essential foods have gone up over 35 percent such as vegetables, meats, flour, sugar, milk, and several other items... Would like to know where and how the government gets 8.7 figure."

From Long Island City, N.Y.: "There is a great deal of fear among the senior citizens at our center about the danger of Social Security continuing. We seem to have enough problems to get along without this added anguish."

From Wichita, Kans.: "Because I am active I get asked to help a lot. Here are some of the problems most often brought up: Too many are retired before they want to be without adequate income. Too many do not see a doctor because they 'know' it will be more expensive than they can afford. Many of those owning their own homes cannot keep them up and are gypped by greedy repair people. Too many withdraw from community activities and lose touch. The congregated meals here are helping but are running out of money."

From Richmond Heights, Mo.: "She (a sister with a net income of \$185 monthly) lives in her own house, which needs many repairs, and, she cannot eat the shingles. In January 1973 the oil to heat the home cost 17.3 cents a gallon. In January 1975 the oil to heat the home cost 34.5 cents a gallon. The same increase occurred in the electric and telephone."

From Chicago, Ill.: "We have not been able to reconcile the 8.7 figure in any way with the consumers price index. This is causing us some concern as to whether we have a bonafide cost-of-living clause in the Social Security law or not."

From Queens Village, N.Y.: "I am 89 years old and my wife is 87 years old. I have a small home and pay taxes on it. My phone bill is so large: it's humanly impossible to keep up with my electric bill. My wife is a crippled person. Humanly impossible to walk."

(The letter then takes issue with the proposed 5 percent freeze.)

From Sarasota, Fla.: "If he (President Ford) can justify these expenditures (aid to Cambodia and Vietnam and rebates of as much as \$200 in tax rebates), how in hell can he justify putting a ceiling on the cost-of-living increase to Social Security recipients?"

From Brownwood, Tex.: "If the economists would stop to consider: the more the retired person receives, the more money there will be in circulation, for they need so many things and any pension or annuity they receive will be spent."

From Cody, Wyo.: "President Ford's plan to put a ceiling of 5 percent on Social Security is shocking. His insensitivity to the plight of people on fixed incomes and the poor is appalling. Recipients on Social Security have, for the most part of their lives, supported their government with taxes, paid into the Social Security fund, not to mention State and local taxes."

From Carnegie, Pa.: "... the cost-of-living has been so high that any increase was gone before we got it... our pensions are so eroded that all we can do is buy the least expensive food we can find and wait each year to find out how much our rent was going up."

From Santa Rosa, Calif.: "I am sure you will not be a party to ripping off the senior citizens by lowering the scheduled increase of 8.7 percent in Social Security. As a matter of fact, to compensate fully for the increase in living we should ask for an increase."

From Yucaipa, Calif.: "With the cost-of-living, gas, light, water, phone, medical bills, hospital, insurance, rent, what are people to do... We need and want a raise in Social Security."

From Stoney Brook, N.Y.: "I have worked all my life to support myself and my family (being a widow for 30 years) and have contributed to Social Security to make sure when I retire I will have adequate Social Security to live on. Never collected unemployment. Now I understand we are to get an 8.7 percent increase cost-of-living expense and instead we are told it will be 5 percent. I am very

bitter and disturbed. . . . We cannot maintain good health if we cannot buy food and necessities."

From Pittsburgh, Pa.: "The Government should be ashamed at themselves fighting over what to do about Social Security. Trying to cut it down is like cutting our throats."

From Maywood, Ill.: "Inflation is stealing from my lifetime savings. Unless inflation is abated soon, I may be among those low-income senior citizens on relief during 1975-6. I believe Congress and the Senate should veto the President's proposed 5 percent limit in his S.S. program and enact their own law with payments to conform to the cost-of-living index, as means of arriving at living cost adjustments."

From Tucson, Ariz.: "I am 85 years old. I paid income taxes 1920 to 1970—Social Security taxes 1937 to 1970. I have a home paid for which high taxes are about to take from under me. I had enough money saved for my last illness and burial. This eaten away by inflation. Very little income other than Social Security. What can be done for the millions like me—we also helped build our wonderful economy. . . . The superstores are going wild since February 1, increasing some 20 percent."

From Erie, Pa.: "Rents hereabouts, even the slummiest, are so high, by the time they are paid, three-fourths of one's income is gone. Social Security \$92+SSI (Supplementary Security Income) \$93=\$185 a month. That my only and total income. (Oh, yes, \$16 of food stamps for \$36.) (Then, they are going up, too.) The rents . . . well, what isn't. Think suicide will solve all problems."

From San Diego, Calif.: "We have been disturbed for a long time at the manner in which our Government always seems to use the needs of the elderly and the poor as the targets of budget cuts. Of course, this is the easy way, as they have no lobby operating for us."

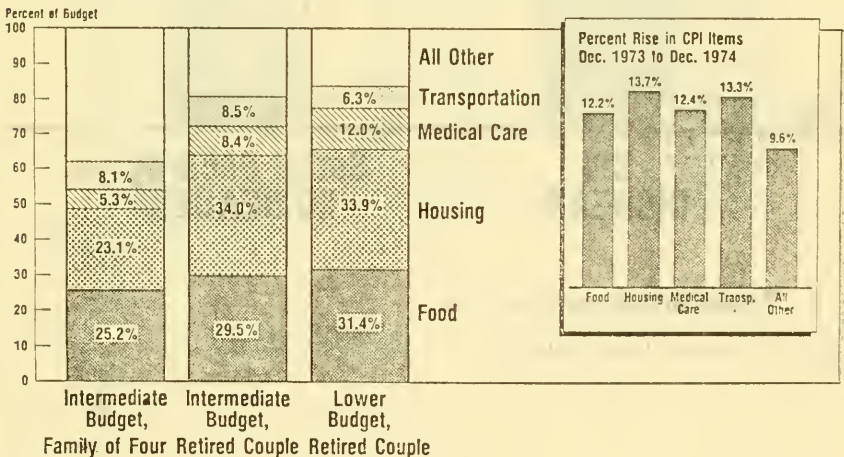
From Hollywood, Fla.: "I am past 84 years, maintain a home, work in yard, drive to do errands, put in one to three days as Volunteer in nursing home since November 1967. Doing okay. But please help our needy."

From Sarasota, Fla.: "My rent (I live in a mobile home park) was raised \$20 more a month last month. We buy day old bread. Milk is 50 cents a quart. A 6 percent increase in our Social Security would come to \$16 a month. The rent increase takes more than that."

From Wilmington, Del.: "We cannot afford a healthful diet and if we get sick we can't afford a doctor's office visit and medicine."

CHART I

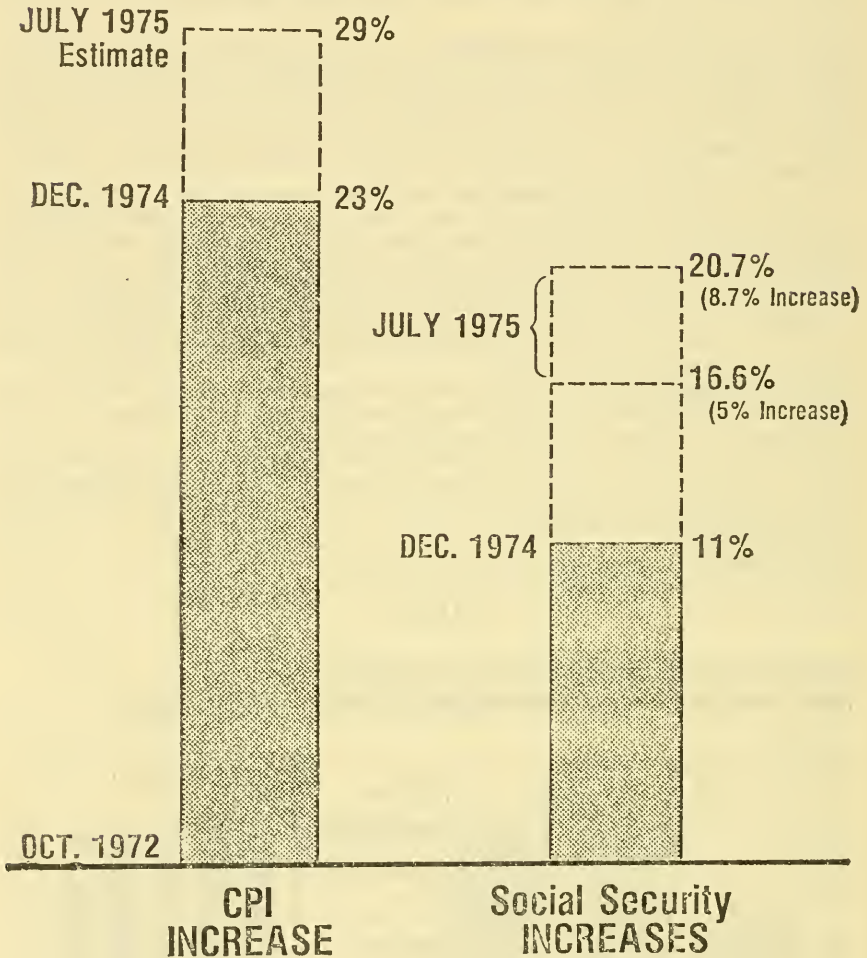
Price Rises Are Especially Severe For the Elderly - - Items That Take Most of Their Budgets Are Rising at Faster Rates



Source: Bureau of Labor Statistics, U.S. Dept. of Labor, Autumn 1973.

CHART II

SOCIAL SECURITY INCREASES LAG FAR BEHIND PRICE RISES*

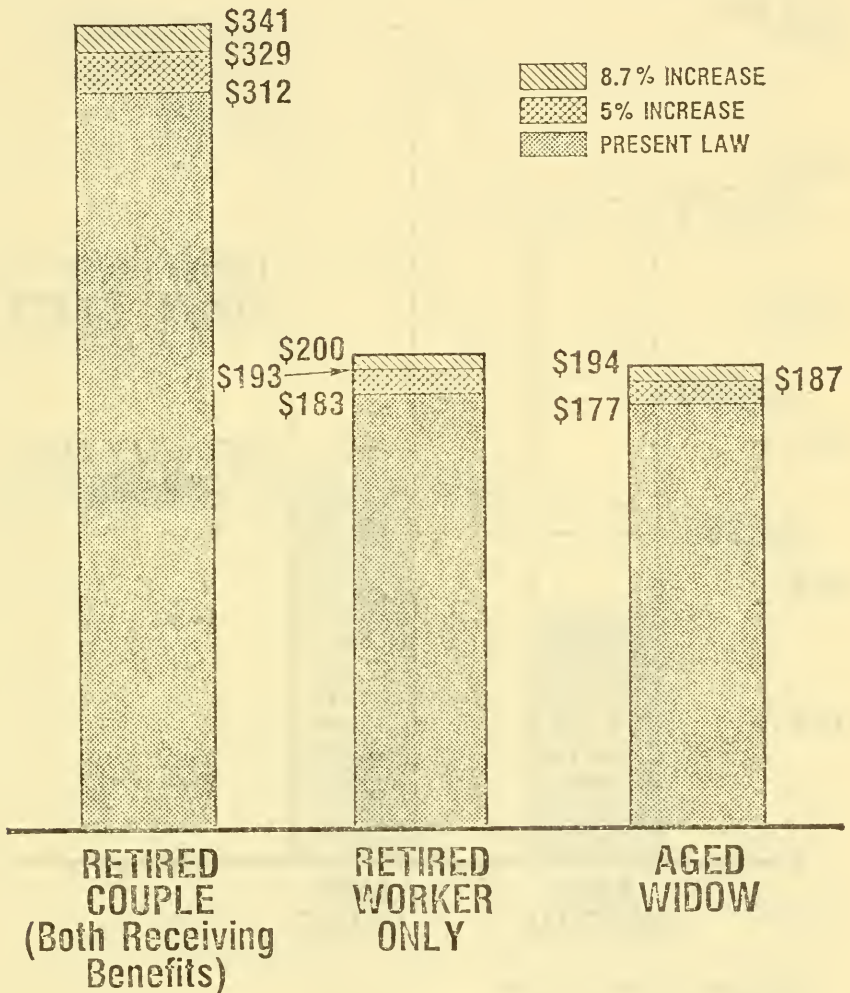


* Based on Consumer Price Index

Source: Bureau of Labor Statistics

CHART III

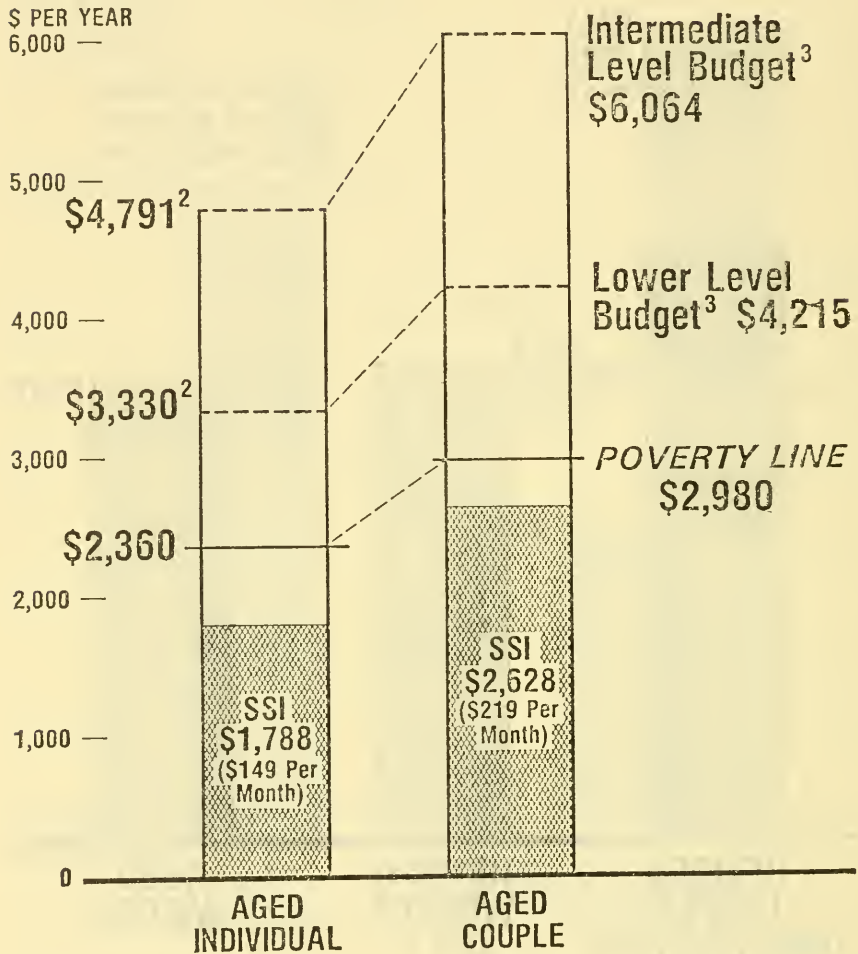
AVERAGE SOCIAL SECURITY BENEFITS DEC. 31, 1974, AND PROPOSED CHANGES



Source: Social Security Administration

CHART IV

SSI¹ LEVEL FALLS FAR SHORT OF ADEQUACY (AS OF DECEMBER 1974)



¹ Supplemental Security Income

² Estimated at 79% of couple's budget

³ Estimated as of December 1974 by Bureau of Labor Statistics

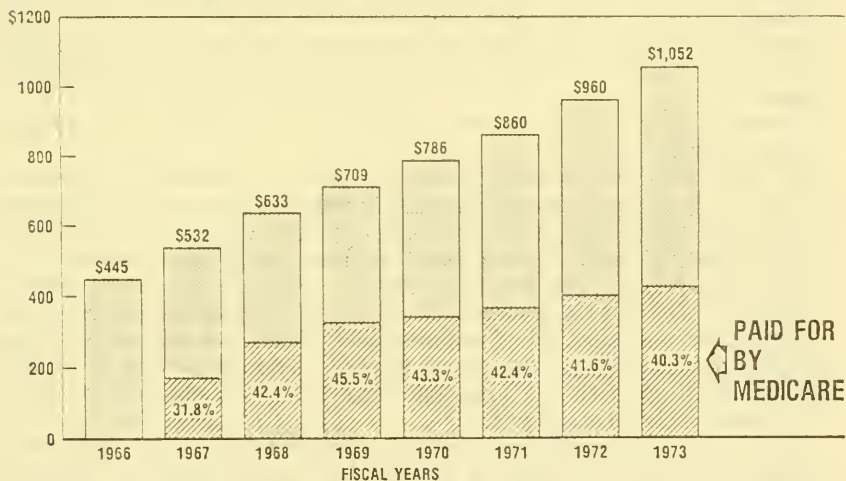
CHART V

MEDICAL CHARGES SOAR

	1966	1975	PERCENT INCREASE
HOSPITAL INSURANCE			
DEDUCTIBLE	\$40	\$92	130%
CO-INSURANCE			
HOSPITAL			
1st - 60th DAY	NONE	NONE	—
61st - 90th DAY	\$10 DAILY	\$23 DAILY	130%
LIFETIME RESERVE DAYS	\$20	\$46	130%
NURSING HOME/EXTENDED CARE			
1st - 20th DAY	NONE	NONE	—
21st - 100th DAY	\$5 DAILY	\$11.50 DAILY	130%
MEDICAL INSURANCE			
PREMIUM	\$3.00	\$6.70	123 1/3%
DEDUCTIBLE	\$50.00	\$60.00	20%
CO-INSURANCE	20%	20%	—

CHART VI

MEDICAL CARE BILL PER AGED PERSON AND PROPORTION COVERED BY MEDICARE, FY 1966 - 1973



Source: Social Security Administration

Senator CHURCH. We will now move to our first witness, J. W. Van Gorkom, president, Trans Union Corp., and Chairman of the Advisory Council's Subcommittee on Finance.

STATEMENT OF J. W. VAN GORKOM, PRESIDENT, TRANS UNION CORP., AND CHAIRMAN OF THE ADVISORY COUNCIL'S SUBCOMMITTEE ON FINANCE

Mr. VAN GORKOM. Thank you, Senator. The entire Council worked very diligently, I might say, for about 9 months, because we all have a deep interest in the future of social security.

We recognize that 90 percent of the workers are covered by it, and there are over 30 million beneficiaries. We believe the system has worked well. We want to try to help it continue.

I am speaking today on behalf, of course, of W. Allen Wallis, chairman of the committee, and I have submitted for the record a short statement which he prepared.*

Questions were sent to me, which apparently the committee would like me to address myself to, some of the questions were intended for Mr. Wallis, and in his place, Mr. Weber, and also for me, and I am going to try to answer all of them.

Before I do, however, I would like to address the committee on a most important recommendation of the Council itself.

COMPUTING THE BENEFITS

It is probably the most noncontroversial recommendation the Council made, and the Council felt it was the most important recommendation that it made, and that was to correct the basic flaw that presently exists in the method of computing the benefits. I would like to address myself to that first, if I may, and may I use the blackboard, please?

Senator CHURCH. Yes, please, I think we will need the blackboard to understand.

Mr. VAN GORKOM. We had three actuaries and two economists who advised us, and the Senate Finance Committee also hired a group of outstanding consultants with the same type of talent, and all of them, and all of our Council agreed that this flaw should be corrected.

Unfortunately, it happens to be exceedingly complex, or appears to be complex. It took the Council 2 months to understand the problem.

While I assume that all of the members of the Committee on Aging are quite familiar with the Social Security system, I want to be sure that we all start with the same background. I will therefore present some basic facts to start with.

The tax paid by workers is the same for everybody, but the benefits are not. The benefit schedule is weighted in favor of the low-paid employee, and everybody agrees with that as a proper social objective.

For example, the tilting is very heavy at one end of the scale. The first \$110 of average monthly earnings receives a benefit of 120 percent.

The next \$290 falls all the way down to 44 percent, and thereafter, additional amount of average wages go all the way down to 20 percent,

*See appendix 2, item 1, p. 863.

so you can easily see that the benefit schedule is tilted very heavily in favor of the low-paid employee.

The most important single criterion in trying to determine the efficiency, or propriety, of a wage-replacement system like social security is what is called the replacement ratio, and that is not a very complicated thing.

If, just before a person retired, he had earnings of \$500 a month, and his retirement benefit is \$300 a month, then he has a 60-percent replacement ratio. That replacement ratio is very important, because it tells you how good a job you are doing in replacing this man's wages.

Can everybody hear me?

Senator CHURCH. You are doing fine.

Mr. VAN GORKOM. The ideal system would have Congress determine just what is an adequate replacement ratio, and then fix it, and maintain it thereafter.

The trouble with the present system is that Congress does not have control over the replacement ratio, because it fluctuates both up and down, as wages and prices move in relation to each other, and the fluctuation of this replacement ratio everybody concedes to be a bad thing.

Now, in looking at some actual examples, as you might expect, with the kind of weighted benefit schedule I have described, the replacement ratio varies between high-paid and low-paid workers, and here is a concrete example.

REPLACEMENT RATIO FLUCTUATION

A man who has worked pretty much at the minimum wage level, most of his working career, will have a replacement rate today of approximately 62 percent, and the high-paid individual will have a replacement ratio of about 32 percent.

Now, the high-paid individual will have an absolutely higher amount of benefit, but it will be lower in relation to his wages.

To show you how the replacement ratio can fluctuate, let us take this low-paid individual, who has a 62-percent replacement ratio, as an example. Let us assume that wages go up at a compounded rate of 5 percent over a period of time, but that the cost of living, which I will call COL, cost of living, goes up at only 2 percent. In these circumstances, the 62-percent replacement ratio will gradually fall down to about 44 percent. If, however, the cost of living goes up at 4 percent, wages staying at the same 5-percent rate of increase, then the 62-percent replacement ratio will go up to 165 percent. This means that at retirement, his benefits will be 165 percent of what he was actually making at the time he retired.

Now, the important thing is not whether 62 percent is the proper ratio or not. I make no argument either in favor of it or against it. The important thing is that under the present system, with no action by Congress at all, the movement of wages and prices can cause a man's replacement ratio to go from 62 percent down to 44 percent or up to 165 percent.

All of the people addressing themselves to this problem feel that this situation is most unfortunate. A wage replacement system should not function in this way, and they believe it should be changed.

Senator CHURCH. May I ask you——

Mr. VAN GORKOM. Please do. Interrupt at any time.

Senator CHURCH. Is there any justification for the wage replacement to exceed the actual earnings of a retiree?

Mr. VAN GORKOM. Under the present system, there is a rationale for it, and that is this: If you take a man's working history today, we compute his benefits on the basis of his actual wages after 1950. We are faced with the fact that his actual earnings back in the 1950's and 1960's were very low in relation to wages and the cost of living today.

I think you can rationalize the idea of having replacement ratio today of 120 percent of the lowest part of the wages, otherwise his benefit would be too low in relation to the inflated price structure of today because of his low wages back in the 1950's and 1960's.

Senator CHURCH. But when you defined replacement ratio, you spoke of it in terms of the ratio between the benefit that the retiree would receive, as compared to his——

Mr. VAN GORKOM. Most recent wages.

Senator CHURCH [continuing]. Most recent wage, and I can see a justification, if you can go back to wages, as early as the 1950's, crank in the inflationary factor, but if we accept your definition of a replacement, of the replacement ratio, as related to his most recent wage, would there be any justification, or rationale for permitting a benefit that exceeded 100 percent?

Mr. VAN GORKOM. No; and the Council definitely decided, as a matter of policy, that in a proper system benefits should never exceed 100 percent of the wages they were designed to replace, and that was one of their basic requirements of the new system.

The truth is that if a man today has current wages of \$500, they are reasonable in relation to today's cost of living, but his actual average wage for the period after 1950 might be only \$200, because wages and prices have risen so rapidly since 1950. Therefore, they do rationalize that you can have a replacement ratio of more than 100 percent in today's system, but not in the proposed system that I will describe now.

INDEXING WAGES

One of the questions directed to me had to do with the concept of indexing wages, and I can discuss that at the same time. One of the elements of the proposed system is the indexing of wages. Instead of taking the actual wages during a man's life, we would take his actual wages in each year after 1950 and adjust such actual wages to their 1975 equivalent by the use of an index.

That means that if he made \$200 a month back in 1951, and the average wages today are double what they were back in 1951, then for this year, we would have actually credited him with \$400 in computing his benefits. If in 1960 he made \$300, but average wages today are 150 percent of 1960 wages, then we would credit him with \$450, so that his average wage, on the basis of which we figure his benefits, would no longer be the actual wages earned during that period; they would be those wages indexed up to the year before his retirement.

That has some other collateral benefits, which I will not go into in great detail, except to say that it would produce greater equity in the amount of benefits between people who retire at different times. This has been fully explained in the Council's report.*

*See appendix 3, item 3, p. S71.

Senator CHURCH. Would it be accurate to describe that indexing method as a way of determining the beneficiary's real income during this earning period in terms of—

Mr. VAN GORKOM. I would have to say no. What is generally referred to as his real income is his increase in wages, reduced by the increase in the cost of living. Over any reasonable period of time, the cost of living never increases as fast as the cost of the increase in wages, so the indexing I have described would produce a somewhat higher result than what is generally referred to as the real increase in wages.

Over a 20-year period, from 1950 to 1973, or so, wages did go up an average of about 5 percent, and the cost of living went up about 3 percent. History tells us that wages do rise faster than the cost of living, but only over a reasonable period of time; in the short run the reverse can be true.

WAGE, PRICE RELATIONSHIP

Over the past 18 months, this relationship of wages and prices has been badly distorted, with price rises actually exceeding wage increases, but that is not normal, and when you are examining a plan like social security, you have to think in very long terms. However, right now, this disturbed relation has created a very real financing problem for the system, even though we hope it is of short duration. The problem is that we don't know if or when the historical relationship of wages and prices will resume. In the meantime, the automatic benefit increases have resulted in an excess of outgo over income.

The other major aspect of the new plan will be a new and different benefit formula.

Today, we have a graduated formula with seven or eight steps, starting at 120 percent and going all the way down to 20 percent.

Naturally, the average monthly indexed wage is going to be much higher than the actual average wage. Therefore, the benefit ratio will have to be smaller. It should also be simpler and it can be with indexed wages. There is no one benefit formula that anybody can say is absolutely correct.

To develop the new formula, Congress will have to work with the Social Security Administration, consulting actuaries and anybody else that can provide a useful input. I would have to say it would probably take 6 months to a year to develop a formula acceptable to all. Here is an example of the kind of formula we are talking about: On the first \$123 of average indexed wages, we would provide a benefit of 100 percent. This is in keeping with the thought you expressed before, that we do not want to go over 100 percent. There is no need to do that if you index wages.

For all average indexed wages above \$123 we would have a flat benefit rate of, say, 31 percent. It must be noted that the \$123 figure would rise each year in accord with the rise in average covered wages.

This is a much more simple formula. I want to stress that this formula can be so arranged that it will approximate the benefits that are given under today's plan if that is desired. Furthermore, the two systems can be meshed together during an implementation period, so that no one ever suffers a reduction of his benefit as you gradually shift over to the new system.

Furthermore, I would emphasize that the concept here is to freeze or stabilize the replacement ratio. That does not mean you are going to freeze his benefits.

After his retirement, a worker's benefits will continue to go up with the cost of living, but replacement ratios will be stabilized and that is all that is really sought here.

Again, I would emphasize to the Council, and in Mr. Wallis' statement* to you, he emphasizes that the Council thinks this is the most single and important recommendation that it made. It will improve the entire system, and it will probably help alleviate some of its long-term financing problems.

You cannot be positive that the new system will save money. However, on any reasonable assumption as to what the long-term increase in wages and cost of living will be, it will prevent benefits from reaching levels such as 165 percent in the future.

Senator CHURCH. While you are at the blackboard, will you explain the flaw, and the effect it has in creating a double dip in respect to cost-of-living adjustments?

COST-OF-LIVING ADJUSTMENT

Mr. VAN GORKOM. I think I can. As long as wages rise about 4 percent and prices rise about 2 percent, you will have stable replacement ratios under today's system.

The problem arises when this relationship changes, and of course we are much less confident today than we used to be about maintaining that kind of relationship over a long period of time.

Under the present law, when the cost of living goes up, the benefits go up, but the benefits go up by raising the entire benefit schedule. For example, if the cost-of-living goes up 8 percent in July the entire benefit schedule will be raised by 8 percent.

Now, that means that all of the people who are now retired will get benefits that are 8 percent higher, but it also means that everyone who is going to retire in the future will also get this higher benefit schedule.

At the same time, we know that wages almost invariably rise even faster than prices. People who are still working will benefit from the wage rises because their average monthly earning will increase and this increases their benefits. When they retire, they will get both the higher benefit due to the increase in average monthly earnings and also the increase due to the higher benefit schedule.

That means that the workers who are still working get their benefit-ratio increase coupled with their wage increase, and that is what they mean by a coupled system. The only way to correct this is to decouple the system.

To decouple the system, you provide that while you are working, benefits shall go up solely on the basis of increase in wages, and after you have retired benefits shall go up only on the basis of the cost of living. That is what the new system proposes. The formula would not change with the cost of living, as it does today; each retiree's benefit would be increased directly by the rise in the cost of living.

If you do that, then you will have decoupled the system and you will have stabilized the replacement ratio. You will have created a system

*See appendix 2, item 1, p. 863.

that will produce costs that are commensurate with the benefits you are trying to provide.

Senator CHURCH. Now, this decoupling formula, that can be enacted into law at any time, that does not require further study?

Mr. VAN GORKOM. The precise formula will depend on the goals of Congress and the date of its implementation. I can only stress that a great deal of time and thought will probably be required to develop it.

This \$123, for example, will depend upon whether you implement it January 1, 1976, or 1977, or 1978.

Incidentally, that minimum amount of \$123 on which you were going to pay 100 percent, that will rise every year with average wages.

That is an important element of the total plan. Today, you know, the maximum amount of wages that is subject to tax keeps going up every year in accordance with the increase in the average wage.

Are there any further questions about cost of living?

Senator FONG. When you give the cost-of-living, say 8.7 percent, where will you get that money?

Mr. VAN GORKOM. I would like to ask you to hold that question a minute, Senator Fong, as I am going to come to the question of deficits in a moment. In fact, that is the next question.

Is there anything else with regard to the mechanics of decoupling?

FINANCING THE PROGRAM

I have a question addressed to Mr. Weber, the vice chairman of the council. He cannot be here, so I will try to answer it. It says "Council members unanimously endorse the fundamental fact that earnings-related benefits of the social security program should remain the Nation's primary means of providing funds. Please give the major reasons for this declaration, et cetera."

I think what is really being asked here is how are we going to finance the program, and there was considerable amount of debate on this point among the members of the council.

The majority of the council believes that the present method of financing the system, by taxes on wages, should be maintained. The minority believes that general revenues should be introduced into the system. I am now going to address myself to the argument for the majority, that the funding of social security benefits, including any proposed increases, should be financed on the basis of continuing taxes on wages, and without the introduction of general revenues.

I would like to say at the beginning that the majority is not at all insensitive to the problems of some social security beneficiaries who receive an insufficient benefit and have no other means of support. We recognize that as a problem, but believe that the solution of it lies in another direction. Let me try to develop this in a little more orderly fashion. When social security was established, it was never intended that it would be the sole support, or could be the sole support, of people after they retire.

The basic concept was a three-tiered system. The first part would be social security, and there are several characteristics of social security that I think need to be emphasized. First, from the very beginning

the plan has been contributory with the employee paying taxes while he is working.

Second, the taxes paid are based on the amount of wages earned.

Third, his benefits are geared directly to those wages so that the benefits and the wages have a relationship.

It is not a perfect relationship because in order to attain certain social goals, concessions and compromises have been made, such as the weighted-benefit schedule.

We do not have a straight line benefit schedule: we have one weighted in favor of the low paid for obvious reasons, but there is still a direct relationship between wages and benefits.

Fourth, there has never been a needs test in social security, meaning that no one has to prove poverty to obtain his benefits. Social security benefits are paid as a matter of right, and I think everybody agrees this is a proper objective. A worker pays taxes while he is working, and, therefore, he is entitled to social security benefits at retirement or disability, and that is a fundamental part of the whole social security system.

PRIVATE RETIREMENT RESOURCES

The second part of the three-tiered system is private resources. This includes the more obvious ones, such as savings that people accumulate over their lives and which are invested in stocks and bonds, et cetera. It also includes private pensions, which are constantly growing in importance and getting bigger. Under recent legislation of Congress, private pensions will become an even more important part of the wage replacement structure of this country.

Private resources are very important to this country, because they perform the largest part of the capital formation function and capital formation in this country is at this point a major concern of businessmen and the country in general. Capital fuels the economy of the United States, and, therefore, the maintaining of private resources, and a need for an incentive to accumulate private resources, are very important to the economic health and growth of the country.

It was also recognized from the beginning that even with social security and private resources, there would still be people who would not have what society figured as an adequate amount to sustain themselves, so there was a third tier to the program which consisted of what I will call needs programs. They come in many forms, but basically they are programs which provide money to people who do not have enough in social security, or from private resources, but who can demonstrate a need. These programs are funded from general revenues and should be so funded.

The most perfect example of a needs program today, I suppose, is the SSI program, the supplemental security income program, which we think is an excellent illustration of the third tier.

The social security program we feel has been successful because, since it has been contributory, and its benefits are wage related, the employee, the man who pays the taxes, feels a responsibility for the system. He feels he is paying for it, supporting it. He knows that if benefits go up too high, he will have to pay an increase in taxes, so he accepts a responsibility for the system.

Today, of course, with rises in the cost of living being out of balance with increases in wages, the tax burden is becoming a real problem for the people at the low end of the wage scale.

The total social security tax including medicare is just under 6 percent. We have recommended the OASDI tax be increased, because of the deficit problem, which I will discuss in a moment. We realize that this will impact heavily on the man who is at the low end of the economic scale.

We also know that there are some people who need more benefit help, too. There are some people who do not get enough out of the first two tiers, and this has prompted the request for general revenues to be infused in the social security program.

USE OF GENERAL REVENUE FUNDS OPPOSED

The majority of the Council opposed the infusion of general revenues into the social security system. Basically, the majority believe that the basic characteristics of the plan will be changed, and changed unfavorably, if you introduce general revenue. It will diminish the relationship between taxes paid by the worker and the benefits he receives. This will reduce his sense of responsibility for the system.

There is also the fact that if general revenues are employed, benefits will then become a part of the total budget making procedures. When the pressure is on to reduce the budget, there is always the danger they will reduce social security benefits.

Probably the most important way in which use of general revenues would change the character of the system, is that it would ultimately lead to a needs test. In other words, eventually the benefits would not be paid as a matter of right; they would be paid only if a need could be shown.

The people who want to use general revenues are insistent that no needs test be introduced in social security, but in my opinion you cannot employ general revenues in any program without having a needs test, and I shall try to demonstrate that.

What is the real pressure today for using general revenues in social security? It arises from the fact that some beneficiaries still receive inadequate benefits.

Let us assume that this square represents all of the beneficiaries, some 31 million today.

We know there are some people in this group who are not receiving a sufficient amount of money to support themselves. I do not want to get into a debate of how much that is, so let us assume it is x dollars. There are in this total group of beneficiaries, then, a number of people who are getting less than x dollars.

To help these people we have three choices if we put in general revenues. First, we can increase the total benefit schedule, so as to help all of the 31 million beneficiaries. This would help those who receive less than x dollars per month, but we will also be paying more to everyone else, and a lot of the beneficiaries do have enough social security. They already receive x dollars or more in benefits. To help the small number who have less than x dollars, you will be raising the benefits of all who have more than x dollars. This means a very high

cost and I do not believe proponents of general revenues would ask to have the total benefit schedule increased.

More likely, they will try a second alternative. They will propose a minimum benefit of x dollars, and that, at first blush, seems like a good solution.

The problem is that there are a lot of people who are getting less than x dollars, but who have private resources in the form dividends or interest or private pensions. Many people work only sporadically, because they have independent incomes.

Even more important, there is a large number of people who receive less than x dollars from social security, but who have worked a large part of their lives in noncovered employment and are receiving another pension. For example, take a person who has worked 30 years for the Government and then, in the last 10 years of his working years he leaves the Government and takes a job covered by social security. In this employment he earns benefits, most of which are at the 120 percent level intended for low-paid workers. In my example, it is paid to a high-paid worker who has worked only a short time.

THE "WINDFALL" PROBLEM

Let me digress for a moment and say the council spent a lot of time on this problem, the windfall problem, which I have just described. There is today a minimum social security benefit, and we know that a lot of people are receiving that minimum benefit who also have private pensions, primarily pensions from the Government. I do not refer only to the Federal Government; I mean the State and local governments as well, because their employees are the largest group outside social security coverage.

In fact, so prevalent is this concept of working for a while under a plan that is not under social security, and then leaving it to earn the minimum social security benefit, that in some instances, whole fire departments and police departments are opting out of social security, so they can take advantage of this "windfall" possibility.

A study a few years ago indicated that some 40 percent of all Federal employees who had pensions were also getting social security benefits.

What I am stressing is that you cannot say because a man has a social security benefit of less than x dollars, that social security is his total income.

He may have other sources, therefore, you come down to the point if you want to help the people who really need help, you have to put it on a needs test. You have to require that they establish that they have less than x dollars.

SENATOR CHURCH. Accepting your argument, because I think it is very persuasive, why does not it follow that if financing out of general revenues will lead to a needs test, as indeed it does in the case of the SSI program, which is financed out of general revenues, then does not it also follow that your recommendation to finance medicare out of general revenues will also lead to the establishment of a needs test in the medicare program?

MR. VAN GORKOM. Yes, I think it does, and what I find most puzzling is that some people oppose general revenues for medicare because

it will lead to a needs test, but they demand general revenues for OASDI and insist that there be no needs test.

Today, social security has no needs test, because it can be persuasively argued that the people who receive social security benefits have paid for them and have earned them.

But the minute you introduce general revenues, you are asking people to provide benefits that the recipients have not paid for. Therefore taxpayers will say: "I will help you if you need it, but I will not help you if it merely increases money you already have." If a needs test is introduced in social security, then the concept and philosophy that underlies the whole program, and which has sustained it for 40 years, will be lost.

Senator CHURCH. Is not that also true of medicare?

Mr. VAN GORKOM. Well, no, I think medicare is different, and I might just as well try to explain that, because the same question was asked me about medicare.

First, however, I want to make a couple of preliminary remarks. We did take up the question of medicare at the end of our meetings because the OASDI program was so complicated that it took most of our time. However, that does not mean that we gave a short shrift to medicare, or that we did not consider the problem in sufficient depth.

FINANCING MEDICARE

Second, I want to make it very clear that we did not vote to fund medicare from general revenues in order to solve a financial problem of the OASDI. It so happens that if medicare is financed by general revenues, it will free up some money now being paid under the social security tax on wages, but that was not the primary principle. We did it because we could not see any logical reason for using a tax on wages to fund a health plan.

The retirement and disability parts of social security are wage-related, wage-replacement plans. There is a very sound reason for financing them by a tax on wages, because the benefits are geared to wages. The benefits of medicare are not related to wages in any way.

The only similarity between medicare and social security is that they are both geared to helping people who are in their later years, but they are two entirely different plans.

Financing medicare from general revenues is not a novel idea. When medicare was first introduced in Congress, there was considerable debate in Congress as to how it should be financed. Some Congressmen were in favor of financing it from general revenues, and other people wanted to finance it by a tax on wages.

John Byrnes, who was on the Council, was in the Congress at the time he tells us the issue was compromised eventually by taxing wages to fund part A of medicare while a portion of part B is financed from general revenues.

There is another important factor that influenced the Council in its recommendation. It is generally agreed that very soon we are going to have some kind of a national health insurance plan which will cover everybody. If that happens, and I think it is only a matter of time until it will, then the medicare program will probably be taken

out of social security and put into that total plan, and I would not assume that the national plan will be financed by a tax on wages.

I cannot say, of course, that a tax on wages is any worse than a Federal sales tax, or something like that. I can only say that there is no sounder reason for taxing wages to support the medicare plan than there is for using general revenue.

Senator CHURCH. Except for this—and I get back to it again—except for your argument that if medicare is financed out of general revenues, it will lead eventually to a means test.

I believe the concept of medicare—inaybe the reason that this was worked out, was that this care should be provided the elderly also as a matter of right, based upon the contribution that they made during their working years, and that they are entitled to that medical care in their retirement years would be as definite, as fixed, as they have an entitlement to benefits under the social security system.

A MEANS TEST FOR MEDICARE

The only real concern I have with your recommendation, is that I also feel if we move away from that, and begin to finance medicare out of general revenues, we will end up with a means test, and all of the difficulty that entails.

Mr. VAN GORKOM. Senator, would you agree if a national health plan of broad scope is developed, it would naturally encompass what we now call medicare?

Senator CHURCH. I think it would. I hope that we do not dilute the medicare program in order to get a national program. There are serious gaps now and the greatest need for it.

I agree, that if we go to a national health program, medicare will be a part of it.

Mr. VAN GORKOM. Reasonable people can differ on this. The Council majority felt if the benefits were not wage related, it should be financed by general revenue.

Senator FONG. Will you give us the thinking on whether the cost-of-living allowance which has now been given, is wage related?

Mr. VAN GORKOM. The cost of living, well, it is in this sense. What they call the primary insurance amount is always based on wages, and when the cost of living rises, the total benefits structure is increased with the cost of living. Since that benefits schedule is always applied to the average monthly earnings, the increase is still wage related.

This is not a good way to do it, Senator. What we want to do is, of course, have the primary insurance amount based entirely on your earnings, until you retire, and then after you retire, shift over to having the cost of living applied to your benefits to maintain your purchasing power.

Senator FONG. After you retire, then you have been paid for the cost-of-living allowance, have you?

Mr. VAN GORKOM. Well, that is why I think we have to go back to figure out what is happening here. If the cost of living rose equally, it would rise during the period in which you are paying taxes, and it would also rise after you retire.

There is not perfect equality in these systems, because the cost of living may go up very slowly while I am paying taxes, and it may go up faster after I retire, and, therefore, I may get a disproportionate additional benefit, so it is not a perfect relation. It is close enough, however, so that there is a recognition at this point on behalf of the worker, that there is a relationship between his average monthly earnings, and the benefit he will get, including cost of living increases; but you are correct, it is not absolute by any means. If you start introducing Federal revenues, you further distort this relationship and you will lose sight of it altogether.

THE NEEDS PROGRAM

Senator FOXE. But if you took the cost of living out, and tried to put in a needs program, you might get a better relationship in the percentages.

Mr. VAN GORKOM. Yes; except that if you do that, you see, if you take general revenues to pay the cost-of-living increase to everybody, it will be a very substantial amount of money, and you will be helping a lot of people who do not really need it, but that has been suggested.

It has also been suggested that Federal revenues be used only for the disparity in the benefit schedule: to fund the difference between the 44 percent and the 120 percent. This would represent, you might say, the social goal.

Senator FOXE. What is the thinking of the Commission on the needs program, how do you handle it, you have social security, you have private pensions, and now the needs program.

Mr. VAN GORKOM. We think that is a very important part. We think all three of these are important.

We think the first, social security, has worked very well. we think the second is also very important because from it comes the largest part of capital formation, and we know that the third is important, because there are some people who do not get enough from the first two. We do want to help those persons, but we want to help only those who need it, and, therefore, we think if Federal general revenues are to be used, we will need a needs test, and that is probably true of health care too. But the general revenue help should be kept outside of social security, because it permits you to solve this problem of the people who do not have enough to live on.

There is no need to use general revenues within the social security system. If a needs program is required then it should be added outside the system, like the SSI system. It can then be funded with general revenues.

For example, one of the things that the Council considered was raising the maximum covered wage. Today the social security tax only applies to the first \$14,000 of wages. That amount goes up every year with average covered wages.

If you receive wages above that, you do not pay any social security tax on the excess. We thought for a while that we might relieve the deficit problem by increasing this maximum to \$24,000. Others have proposed \$28,000.

Such an increase would bring in more taxes while the additional benefits paid would be very small in the beginning. As a result, it would help solve the deficit.

If, however, you raise the limit to \$24,000, and start putting a tax on that amount, you are going to be infringing on the second tier of the total program, namely, private resources. Money which would otherwise be saved by earners will be paid into social security and distributed to people who will spend it immediately. We actually voted for that idea at one time, but at the next meeting, we disavowed it. The Council believed that those who received earnings of \$24,000 would be inclined to save a portion of the amount over \$14,000 and taxing the excess would reduce the amount of that saving. The Council wants to maintain all three parts of the system and raising the limit would jeopardize the second part, private resources.

I would like to talk just a little bit about the deficit itself, because one of the questions given to me was: "Recent newspaper accounts have indicated that the old age and survivors trust fund may be exhausted by 1981. This has caused concern for many social security beneficiaries. In your judgment, do people drawing benefits or in the future need to be concerned about receiving social security checks?"

Well, the deficit that social security faces is not really a single deficit. It is really two deficits, and they arise from different causes. I would like to talk about that very briefly.

We have a short-term deficit and a long-term deficit. The short-term is the most serious, but I shall begin with the long-term deficit.

THE LONG-TERM DEFICIT

The long-term deficit is demographic in origin. This means that its cause is rooted in basic changes in population. From the blackboard you can see that the birth rate rose sharply from 1945 to a peak in 1957. It came down slowly and recently it has plunged below the replacement rate. It is expected to remain below the replacement rate for some years and then rise back to the replacement rate.

This means that we had a lot of people born in this area here from 1945 to 1970, and when you get out over here to the year 2005, these war-babies people start becoming beneficiaries of social security. From that point the number of beneficiaries rises rapidly. From the year 2005 to the year 2030, you have more and more beneficiaries drawing benefits, but because you have a low birth rate from 1970 onward, you have fewer people, relatively, paying taxes.

Today you have 30 beneficiaries for every 100 workers. When you get to 2030, you will have 45 beneficiaries for every 100 workers, and what that means is that the taxes to be paid by these 100 workers will be a lot higher in 2030 than it was in 1975. That is where the deficit comes in, and that is why to finance the deficit, the tax will have to go up. The argument is made that if the birth rate is so low these people in 2030 can afford to pay more to support them, because they will have fewer children to support.

It is very difficult to forecast birth rates, because they are influenced by so many psychological factors. No one can be sure of the population composition in 2005. On the other hand the long-term deficit is now double that and it may go even higher.

This is assuming that wages and prices do not get too far out of line. Senator FONG. If the number of beneficiaries is 1 to 3; is that sufficient?

Mr. VAN GORKOM. That is where we are today.

Senator FONG. That is where you are today. Is the money coming in now sufficient to pay for the people who are taking benefits?

Mr. VAN GORKOM. It is not sufficient right now, but that is for another reason, and I will now talk about the short-term deficit, which I think answers that question.

Senator FONG. In the long run, will that be sufficient, if you have three workers?

Mr. VAN GORKOM. If wages rose at the rate of 4 or 5 percent, and the cost of living only went up about 2 percent, then you could handle that without a great deal of trouble.

Senator FONG. At 3 to 1?

Mr. VAN GORKOM. At 3 to 1.

INCREASE RETIREMENT AGE?

Now, that is my understanding. I am not an actuary. I might add that because of this disparity in the number of wage earners, and the number of beneficiaries, the Council did recommend that at some time in the future, the Congress consider increasing the retirement age from say 65 to 68. We received a tremendous amount of criticism about that.

Senator FONG. I already have gotten a lot of letters on that one, and the reason is all of the pressure is the other way.

Mr. VAN GORKOM. Today, the number of people in the labor force is growing as the "war babies" come of age. Today, everybody wants to retire earlier, not later. People cannot seem to envision what will happen after 2005, when the labor force is not rising and the number of beneficiaries is going up. By that time we will also have 30 years of increases in health care, longevity, and so forth. Certainly one way to keep the tax at a more reasonable level, would be to ask people to work until 68 rather than 65. We opened a hornet's nest with that suggestion, but the concept is still very sound.

If the number of beneficiaries rises dramatically in relation to the number of workers, you may have to increase the retirement age.

Senator FONG. Those that have not retired at 65, but will get their retirement at 72, are saying they are paying \$4 billion a year to take care of those who have retired. What is the answer to that?

Mr. VAN GORKOM. I don't know.

Senator FONG. Those that have not retired at 65, they say they are contributing \$4 billion a year to take care of those on retirement, and they say for every year they continue to work, they only get 1 percent, where they should get 12½ percent actuarially.

Mr. VAN GORKOM. That is another problem, and that is the retirement test, and we did make one adjustment to it. It is an extremely complicated problem. I will be glad to talk about it. If you continue to work after 75, and you make more than \$2,520, you lose \$1 in benefits for every \$2 you make above that amount. Those who work beyond 65 complain constantly about this "penalty."

The proper answer, but not an acceptable one in today's world, is that the social security system is intended to replace wages that are lost. If a man can continue to work after he is 65, he really has not lost his wage earnability, and, therefore, he should not get the benefits.

Unfortunately that argument has been compromised, because the system does pay benefits to somebody who could work after 65, but does not choose to. So it is not strictly a case of actually being unable to work, but just not working. The principle was further compromised by permitting persons of 72 or over to make unlimited amounts without loss of benefits.

The Council did recommend that this rule be modestly changed, so that for every \$3 earned, only \$1 is lost. That reduces the penalty, but what your friend says is true, he still pays a substantial penalty if he earns above \$2,520.

On the other hand, he is not correct when he says that all he gets is a 1-percent increase in benefits. There are two other benefits that can be gained by working after age 65. First, you can also increase your basic benefits by increasing your average earnings. You do this by dropping off one of your earlier earning years and substituting one after 65 in which you earned a higher amount. If after 65, you earned \$7,000 a year, and back in 1951 you only earned \$3,000, you can substitute the \$7,000 for the \$3,000 and that will increase your basic benefits.

Second, some people are actually able to qualify for the first time under social security by working after they attain age 65. Benefits earned by work after 65 are definitely greater than commonly believed, but of course they do not apply to many persons that do work after 65.

One of the most serious problems is that to eliminate the earnings test entirely would cost a substantial amount of money, about \$6 billion per year, if my memory is correct. That is the largest deterrent to eliminating it, and why we did not recommend complete elimination.

Now, on this question of short-term deficits—

Senator FONG. Was any recommendation made to increase the 1 percent annual increment in benefits for those who delay retirement until after 65?

Mr. VAN GORKOM. No. It was recognized, of course, that the 1 percent was inadequate as an actuarial amount.

On the other hand, we do not have any way to quantify these other benefits that can be gained by working after 65 and the one that permits you to drop off an earlier year and substitute one after 65, is a valuable benefit for some people.

THE SHORT-TERM DEFICIT

Now let us discuss the short-term deficit. It arises from different causes. In 1972, Congress enacted the automatic benefit increase, which provided that whenever the cost of living went up, the benefits would go up. At the time they did that, wage increases had been averaging about 5 percent, and price increases, or cost of living, had been going up about 2¾ percent.

Based on these figures, Congress figured, they could increase the benefits on the basis of the cost-of-living rises without increasing the

social security tax. Since wages could be expected to increase at a greater rate than the cost of living the additional taxes produced by the wage increases would be enough to pay for the higher benefits. That idea was sound so long as the 4 percent-2 percent or 5 percent-3 percent relationship continued between wages and prices. However, as soon as this relationship became distorted, the principle no longer held. That is exactly what happened. The cost of living went up 12 percent, and wages went up about 7 or 8 percent. The cost of living actually went up faster than wages for a short period and this produced a big drain on the system.

So while the concept was sound when it was introduced, it was based on the continuation of this wage-price relationship, and if this relationship is no longer valid, then it means that you are going to be faced with constantly increasing taxes, because the amount of taxes needed to pay for cost-of-living increases will not be forthcoming.

I would emphasize that we do not expect prices to outrun wages. That is a temporary phenomenon. However, it is not just enough for wages to increase faster than prices. They must increase faster by a substantial amount to avoid increases in the social security tax. It is not just enough to maintain the historical difference of about 2 percent. If the cost of living goes up 10 percent, and wages go up 12 percent, you would still have wages going up faster than the cost of living, but the system would be in serious trouble. There would have to be substantial increases in taxes to maintain the benefit structure at that point.

Wages will have to go up about 70 percent to 100 percent faster than the cost of living if the concept of Congress is to be viable. If that relationship is not soon restored, then you cannot increase benefits by the increase in the cost of living without raising the Social Security tax. If you do not raise taxes the fund will eventually run out.

THE SOCIAL SECURITY "FUND"

When I talk about the "fund," I am talking about the approximately \$45 billion that Social Security has on hand.

This is not a fund in the actuarial sense. Social Security is not funded like a private insurance plan and the \$46 billion that Social Security has is just a sort of emergency fund to permit payment of benefits even when outgo exceeds income.

This \$46 billion that Social Security has at this time is about enough to pay about two-thirds of 1 year's benefits. Because inflation is so high in relation to the increase in wages, the fund is falling as money goes out faster than it is coming in. At the same time the amount of 1 year's benefits keeps going up all the time. The social security fund therefore, is constantly going down not only absolutely but also in relation to 1 year's benefits. It is estimated that by the year 1980 or 1981, as they estimate the trend, there will be no money left in the fund.

In regard to the original question that was submitted to me, I can say that there is no danger in the next 2 or 3 years that anybody will miss his social security payment. There is enough money in here now to make all of those payments, even if this disparity between income and outgo continues for a while.

There is a danger, of course, that the wage earner will become very concerned over the future of social security by the fact that the fund continues to go down, and particularly because it continues to go down in relation to 1 year's benefits.

The last Social Security Council, our predecessor of 4 years ago, said that this fund should tend to be about 100 percent of 1 year's outgo. There is no magic about that 100 percent, I would have to say, with all due respect to our predecessors, that the system could operate efficiently with something less, but it does not seem wise to reduce it much below 50 percent of 1 year's benefits or it will not be able to protect the system in times of stress.

I think that the amount in the fund should be large enough so that there will be reasonable protection against fairly prolonged recessions, such as we are having now. How big it needs to be, it seems to me, is a question on which people could reasonably differ.

Senator FONG. Are we not eating into that fund by \$7 billion a year?

Mr. VAN GORKOM. Not right now, no.

I think the fund itself will go down only about \$3 or \$4 billion this year. However, the amount of one year's outgo is going up by \$3 or \$4 billion this year, so that the disparity between the amount in the fund and 1 year's outgo is going up at the rate of about \$7 or \$8 billion.

Senator FONG. If the cost-of-living allowance is 10 percent, and the outlay is \$70 billion, is not \$7 billion more eaten into the fund?

Mr. VAN GORKOM. Well, if the cost of living were 10 percent, I cannot say what the deficit would be, but it would certainly be more than \$3 or \$4 billion. How much more, I don't know, Senator.

Senator FONG. It had been 10 or 11 percent.

Mr. VAN GORKOM. Yes, but you would have to tell me what the wage increases were too. If inflation is 10 percent, then the wage increases are going to be very high, and as the wages go up, more taxes come in, so you cannot work with only one side of the equation. Certainly if nothing is done, if no tax increase is enacted, and we stay where we are, and the forecast of rates of inflation do occur, and the wage increase forecasts do occur, the fund will run out of money by about 1980 or 1981. The answer is that there is no immediate danger in the next couple of years, but there is danger that if nothing is done over the next 4 or 5 years, and the present trends continue, then the system will run out of money. Of course, Congress always has the right to enact whatever legislation it wishes in order to maintain these payments, and I know Congress feels a strong sense of responsibility for the program. So when people ask, I say there is no danger of losing benefits, but you will have to pay higher taxes, or something else will have to be done if this continues for any period. We must face the fact that the whole automatic benefit system, enacted in 1972 by Congress, was predicated on a relationship between wages and prices about which we can no longer feel very confident.

Nobody can tell you with confidence what will happen to wages and prices in the next 20 years, but it begins to appear that there are grounds for believing, that this long-term relationship between wages and prices may be seriously disrupted on a long-term basis. If it is, then there will have to be increases in taxes, or else—

Senator FONG. If the increase in taxes does take place, will it take away from the private pensions?

Mr. VAN GORKOM. Yes, to the extent that many private pensions are geared to social security. When social security goes up, private pensions go down.

Senator CHURCH. Senator Percy, did you want to make a statement?

STATEMENT BY SENATOR CHARLES H. PERCY

Senator PERCY. Yes, I would like to, and I think it might give Mr. Van Gorkom a chance to rest for a moment.

Mr. Chairman, first I would like to welcome, a little late, Mr. Van Gorkom, a very valued constituent of mine, and a man who I was proud to work with within industry, and looked upon as one of the finest and most enlightened businessmen in America. I am just delighted he has seen fit to take on this added responsibility as he has throughout his corporate life, whenever asked.

Mr. Chairman, I appreciate having the opportunity to participate in these hearings on future directions in social security. They will serve as a timely public review of the projections and recommendations of the Social Security Trustees' 1974 report, the report of the Panel on Social Security Financing appointed by the Senate Finance Committee and the report of the Advisory Council on Social Security. Most important, they will serve to heighten public awareness of the exact nature of the financial problems facing the social security system and of the alternative means of dealing with them.

I am pleased that the first witness to appear before this committee is my friend, J. W. Van Gorkom, of Lake Forest, Ill., who chaired the Advisory Council's Subcommittee on Finance.

The Subcommittee's report is both comprehensive and of invaluable assistance to the Congress in adopting improvements in the social security system. The Subcommittee had a short period of time in which to complete this difficult work, and I commend Mr. Van Gorkom and the other Subcommittee members.

I have been aghast at the verbal battle waged during the last few months over the financial soundness of the social security system. Now that two panels of experts have confirmed the projection of financial problems made by the OASDI Board of Trustees in its 1974 report, hopefully we can rise above the din and work together to bring order to this system.

It is as fiscally irresponsible and cruel to the elderly to ignore reality and leave these problems to future generations as it is to declare that the system will soon collapse and do nothing to prevent it.

The social security system will not collapse. Future generations will not deny earned benefits to the retired. However, it is evident that the system cannot continue to be self supporting under the present contribution and benefit formulas. The immediate gap between income and outgo is small compared with the deficit projected for the twenty-first century. We must avoid the temptation to deal with the short-term problem with stop-gap measures and leave long-term solutions to those who will be responsible for the system at that time. To do so

could not help but result in serious economic dislocations and hardship.

FAIR AND SOUND PROGRAM

Two main factors must be taken into consideration in redesigning the social security system. Its economic impact must be fair and manageable for employers and workers on the one hand and fair and adequate for retirees on the other. It must also be financially sound over the long term, so that neither a massive infusion of funds nor a reduction in benefits is ever necessary. If we take corrective action now, I believe it is possible to meet both these goals.

The Social Security Advisory Council estimates that by 1978 the balance in the trust fund will be under 35 percent and that this is about the minimum balance necessary to fund current obligations. By 1980, tax receipts will once again approximate expenditures. After 1980, costs are projected to rise dramatically, and by the year 2030 would necessitate a payroll tax of 17.6 percent to fund them. These are very close to the estimates provided in the 1974 Trustee's Report. The Panel on Social Security Financing appointed by the Senate Finance Committee projects a similar short-term deficit, but estimates that costs will reach 23.3 percent of taxable payroll by the year 2030.

The difference in estimates stems from the different economic and demographic assumptions used by each panel. The Advisory Council estimates an average increase of 5 percent in wages, and 3 percent in the Consumer Price Index over the next 75 years, and an increase in the fertility rate—the average number of children born to a woman during her lifetime—from 1.9 to 2.1 beginning in 1985.

These are essentially the estimates used by the Trustees. The Finance Committee's Panel assumed an average increase of 6 percent in wages and 4 percent in the Consumer Price Index and a dip in the fertility rate through 1990, with the 2.1-percent rate not being reached until the year 2025.

Obviously, relatively small differences in economic and demographic assumptions lead to significant variations in estimating the long-term financial soundness of the social security system. In adopting corrective measures, it is important to keep the lack of long-term predictability of these vital factors in mind. For example, it may be reasonable to presume an even greater degree of labor force participation in the next century than did either the Finance Committee Panel or the Advisory Council. As there are fewer and fewer workers relative to consumers, unemployment will drop and a greater number of women and potential retirees will join or remain in the work force.

I believe the most sensible course at this time is for the Congress to enact those changes in the social security system which will assure its enduring effectiveness. Adoption of some of the Advisory Council's recommendations, as well as other proposals I intend to make, could stabilize the system's financial base through the remainder of this century. By 1990 we will know for certain the ratio between workers and retirees during the first half of the 21st century, the most important variable in today's cost projections, and will be able to plan ahead accordingly. This, of course, assumes that there will be no changes in the present system which significantly increase benefits relative to payroll taxes.

First, and I believe most important, is the recommendation made

by both the Social Security Advisory Council and the Panel on Social Security Financing to decouple social security benefit levels. Under the present system, a worker who retires 20 years from now will receive a social security benefit which will directly reflect not only the compounded 20-year increase in the CPI but all wage increases received during the period.

ESTIMATED LONG-TERM DEFICIT

For a worker retiring in the year 2050, this could result in a monthly social security benefit 60 percent higher than the worker's average preretirement wage. Coupled with a wife's or husband's benefit, the retired couple's benefit would be nearly 150 percent higher than the worker's average preretirement wage. While this problem is not critical to the financial integrity of the system today, it plays a major part in the estimated long-term deficit. Decoupling the system by basing retirement benefits on a worker's average monthly wage, increased, or "indexed," to reflect average wage increases for all workers during that period, and providing cost-of-living increases only after retirement, will correct this problem. The Advisory Council estimates that this change alone will reduce the estimated average long-term deficit by nearly one-third.

Second, in line with insuring that benefits bear a reasonable relationship to preretirement earnings, total benefits should not exceed the purchasing power of preretirement earnings. A maximum replacement ratio of 80 to 85 percent of average "indexed" preretirement earnings would be both fair and adequate.

Although these changes would result in a cost savings under the economic assumptions used by both the Advisory Council and the Finance Committee Panel, it is important to note that they could increase costs if real wages increase at a higher rate than projected. The importance of these changes rests in the fact that they will bring the revenues and costs of the system closer in line, whatever the long-term relationship of wages to prices turns out to be.

Third, I believe the automatic eligibility of wives to a "dependent's" benefit equal to half their husband's benefit should be phased out and that this benefit be paid only where actual dependency exists. This automatic eligibility was enacted on the presumption that wives are almost invariably dependent on their husbands for more than half their income. More and more women are now collecting social security and other pension benefits based on their own earnings and this presumption is certainly no longer valid. It is unfair to those men and women who contribute to the social security system to have to pay the costs of "dependent's" benefits to individuals who are not in actuality dependents.

The Advisory Council recommended doing away with the proof of dependency now required of husbands applying for such benefits and in the alternative, decreasing both husband's and wife's benefits by the amount of any pension earned from earnings not covered by social security.

A far simpler and more equitable solution is to require actual dependency for both men and women.

Fourth, consideration should be given to the establishment of a special replacement ratio for retirees who have spent relatively little

of their work careers under the social security system. The Advisory Council spent considerable time looking into the inequity of such workers benefiting from the higher earnings replacement ratio for those with a low average preretirement wage. The higher replacement ratio was enacted, of course, to provide an adequate retirement income for those who worked for many years under social security but at low wages. One solution recommended by the Council was to reduce social security benefits by the amount of any pension or benefit earned from employment not covered by the social security system.

I do not believe it is fair to penalize such workers. Government employees being a major example, for working in noncovered employment. An alternative approach would be to establish a separate schedule of replacement ratios for workers who contributed to the social security system for less than 10 or 15 years. Such workers would then receive a fair return on their contributions to the system but would not benefit inequitably from an elevated ratio established for low income individuals.

Of course, any changes adopted in the system should not adversely affect those already retired or the long-term retirement plans of workers. Thus, the first two proposals I have outlined should become effective immediately, but only as to future retirees, and the second two should be phased in over a period of years.

IF NECESSARY, ACCELERATE SCHEDULED TAX INCREASES

Finally, if these proposals are not adequate to eliminate the projected deficit over the next 25 years, consideration should be given to moving a portion of the tax rate increase scheduled for the year 2011 forward to the 1990's and/or accelerating the scheduled increases in the taxable wage base. I do not believe the tax rate should be increased beyond the rate of 11.9 percent now scheduled for 2011. Including the 1.8-percent medicare tax, this will amount to a payroll tax of 6.85 percent each on employers and employees. This in itself will be a fairly substantial burden, particularly for low-income workers and small businesses, and I do not believe additional increases should be counted on to finance whatever long-term deficit may develop.

Certainly, a thorough study should be made of the effect of the payroll tax on the adequacy of capital investment and workers' purchasing power before any additional changes in the rates are made.

I must also disagree with the Advisory Council's recommendation of gradually transferring the financing of the medicare program to general revenues and using the revenues from the medicare payroll tax to help finance social security benefits. Although I appreciate the Council's interest in postponing any increase in the payroll tax, I believe further consideration should be given to the effect of this proposal on the medicare program itself. It, like social security, is an earned benefit, and should continue to be so. In addition, we have yet to determine what place the medicare program will have in national health insurance and should make that determination before enacting major changes in its financing structure.

In conclusion, if we act now, the short-term financing problems of the social security system can be solved without economic dislocation

or hardship and we can lay the basis for an equitable and potentially fiscally sound system in the future.

These hearings and the recommendations stemming from them can lay the basis for such action. I have three specific questions, but I will be happy to wait and yield to others, and ask those questions when it is my appropriate turn.

Senator CHURCH. Thank you. Senator Moss, would you like to make a statement?

STATEMENT BY SENATOR FRANK E. MOSS

Senator MOSS. Thank you, Mr. Chairman. I did not come prepared with an opening statement, but I am, of course, intensely interested in this general problem, and as the chairman has indicated, and Senator Percy, with whom I have worked so closely, there is a great deal of feeling for our elderly people, and there exists much uneasiness among our elderly because of the constant cropping up of this suggestion that the social security fund is inadequate, and some even coming in to say it is already broke. I was pleased to be here long enough to see some of your presentation, and I look forward to your finishing it, because without as much information about it as you have, I always write back, or speak back, saying, no, no, the funds surely are not in trouble now, and long before that date comes, you can depend on the Congress taking action.

I point out we are in such an economic period of shift, with prices and wages, and all other things going up at a tremendous rate, that we do have to reexamine the whole structure, and look at it, but there is time to do that. If we now address ourselves to the problem there need not be any worry that we will not have enough time, in that the social security program will not be able to meet its obligation to the elderly.

The difference now between the President's proposal, and the statutory requirement of the increases, are just a minor thing, and they will be ironed out, but the long-range problem is the one we must be concerned about, so I am very pleased you are here, sir, and the other good witnesses coming on. Thank you.

Senator CHURCH. Thank you very much, Senator Moss. Mr. Van Gorkom, we are looking at the clock. We are moving toward 12, and we have two more witnesses.

I believe I have asked you the questions in the course of your presentation that I want to put to you this morning, but Senator Percy has indicated he has questions, why don't we go to those questions.

EFFECT OF PAYROLL CONTRIBUTION ON BUSINESS

Senator PERCY. Mine are very brief. Mr. Van Gorkom, you and I have traveled in the same business community. I do not know of a subject that is of greater concern to some of our industrial friends in Chicago than the social security tax. They look upon this as an imposition of a tax that adds to their cost of doing business; it makes them somewhat less competitive to products abroad, because they have this added as a cost of their product. From your perspective as a businessman and employer, could you comment on the economic effect of the

Council's recommendation that the social security payroll tax be increased gradually to 16.1 percent by the year 2025, this in addition to the 1.8 percent medicare tax?

If that is still in effect, if not higher, it will result in a tax of 8.95 percent each on employers and employees, about a 50-percent increase from present levels.

Would you care to comment on the economic effects of that?

Mr. VAN GORKOM. Well, when you talk about the economic effects, I think you will find, Senator, that the economists are strongly of the opinion that the social security tax is really imposed on employees.

Now, with the one exception you mentioned, the social security is neutral as a competitive factor, since it is uniform for all companies. In the case of my company competing with another company, we both pay the same social security taxes, so there is no competitive disadvantage. But as to its real impact on U.S. companies competing overseas, I do not have any data. I strongly suspect, however, that the social taxes imposed by overseas companies, is probably equal to or greater than the taxes we pay in the United States.

Furthermore, I strongly support the social security system. I think it has served this country well, and my basic concern is for its maintenance in the future.

I think the most important thing the Congress has to remember is this: When they passed the automatic escalation law in 1972, they made a very fundamental change in the whole social security system, the extent of which was not realized because we were living in a time when we had a fairly stable relationship between prices and wages. The premise needs to be reexamined. If you want to maintain the present benefit structure, and given the most recent forecast of wages and prices, we will have taxes of 16 percent and higher.

Senator PERCY. This is not a typical audience in this room. I would imagine in our audience there are representatives from Government agencies who are here to hear your testimony firsthand, and up here, most of us are Government employees, so most of the people in this room are not covered by the social security system.

The Council has recommended compulsory coverage of Government employees, as well as reducing social security benefits by the amount of the benefit received from noncovered employment. I am concerned this would establish a means test for a selected group of social security recipients, and would unfairly penalize those who work in noncovered employment.

As an alternative, what is your opinion on establishing a separate replacement ratio for those who contributed to the social security system for less than 10 or 15 years?

THE "WINDFALL" PROBLEM

Mr. VAN GORKOM. Well, I would have to comment on the whole problem. The Council spent quite a bit of time debating what we call the windfall problem. People who work under the Federal Government and State government can accumulate substantial pensions, and in the latter part of their careers they can shift to a job covered by social security and earn another pension from the social security system. Under the present system you cannot distinguish between such

people and the people who have worked all their lives under social security at low wages. The government people get a windfall, because if they had continued to work under the Federal Government their wages in their late years would earn a pension based at about 50 or 60 percent of their wages. But if they shift to work covered by social security their work earns a pension at 120 percent of their wages. This 120 percent is intended for people who worked for low wages, as I have explained earlier. Instead the 120 percent is applied to those with high wages who appear to have low wages because they only work a few years.

What Senator Percy has proposed is a way to try to solve this. The Council wrestled with that problem for a long time. Senator, and we were unable to come up with a plan that would do it exactly right without hurting somebody else in the system.

We thought we could do it rather simply at first, but the system is so complex that every time we came up with an idea, the people in the administration would point out that some other group would be unfairly treated. We finally decided that the only real way to solve the problem is to have compulsory total coverage, and that is the reason it has been recommended.

Senator PERCY. I did not realize that windfall benefit, and having been one of those who used to pay social security taxes, and worked, and now not under that system, is there any plan to make this retroactive, so those of us who are going to get apparently a windfall would not get it?

Mr. VAN GORKOM. I have to add a point. You will note that we recommend in our report that coverage be universal, but in computing what the tax rate should be, we have assumed there will not be universal coverage, because we do not think there is any enthusiasm on the part of Government employees to be covered by social security, and we do not think, therefore, that Congress will adopt it. But we felt it was a very desirable goal.

DEPENDENCE BENEFITS

Senator PERCY. My last question relates to the Council's recommendation to remove the support test for husband's eligibility for dependence benefits, and continuing presumption of eligibility for wives.

I wonder if it would not be more equitable to eventually require proof of dependence in either case. It seems unfair to those men and women who contribute to the system to have to pay the cost of dependents' benefits to individuals who are not in actual dependence.

It would be helpful if you could go into the reasoning of the Council in adopting the recommendations in this area.

Mr. VAN GORKOM. We did consider that, and we do think that is probably the more fair way to do it, but we also are pragmatic.

Peculiarly, this whole thing, to take away the dependency proof required, came out of a committee designed to help women. They studied all parts of the system that appeared to discriminate on the basis of sex, and that turned out to be the only one we felt we could accommodate.

It would be fairer to require women to prove dependency, but we simply felt it would be impossible to get women to accept the burden of providing dependency. We also felt that, whether we willed it or not, discrimination of this type, based on sex, will be eliminated by either Congress or the courts. It was decided, therefore, to eliminate it by putting both persons on the same parity. We put men on the same platform as the women simply because we did not think the women would accept the men's situation. It was a purely pragmatic solution.

Senator CHURCH. Senator Fong.

Senator FONG. I have quite a few additional questions here, but I would like to ask Mr. Van Gorkom to give me the answers in writing for the record.

Mr. VAN GORKOM. I would be glad to.

[The following were Senator Fong's questions and Mr. Van Gorkom's answers as submitted subsequent to the hearing:]

Question. When did the Advisory Council on Social Security first meet?

Answer. Appointment of this Advisory Council was announced by the Secretary of Health, Education, and Welfare in April, 1974 and the first 2-day meeting was held the following May 3 and 4.

Question. How many times did it meet? How many days were devoted to deliberations by the full Council?

Answer. There were nine 2-day meetings of the entire Council.

Question. What were the special subcommittees named by the Advisory Council? Responsibilities of each?

Answer. There were two subcommittees. One was on financing of the Social Security program and dealt with assumptions and methodology used by the Office of the Actuary of the Social Security Administration. The second Subcommittee was appointed to study the treatment of men and women under social security with respect to sex and marital status. A Task Force of four Council members was also named to examine the adequacy and equity of social security.

Question. How many times did each subcommittee meet and for how long?

Answer. The Finance Subcommittee met 10 times, the Subcommittee on men and women seven times, with each meeting lasting several hours. The Task Force met six times, for a total of 12 hours.

Question. How was the Advisory Council staffed?

Answer. The Advisory Council was staffed by the Social Security Administration and coordinated by its office of Program, Evaluation, and Planning with staff member John Trout serving as executive secretary. Some members of the Council provided their own secretarial staff.

Question. What did the consultants to the Council do with reference to Council deliberations?

Answer. The consultants provided the technical expertise in handling the actuarial and economic problems with which the committees had to deal. They did not sit in on the deliberations, except in a few instances, especially the last meeting or so. They did not participate unless they were asked questions by Council members. Their major contribution was through reports which they wrote.

Question. Was the idea of using regular consultants from outside of government a new departure by this Council from practice of previous Advisory Councils on Social Security? How were the consultants selected?

Answer. Consultants have been used by previous Councils. Consultants were selected by the Chairman and vice-chairman. Their names were placed in nomination, and approved, without objection by the Council. For the first time, two consultants were hired as generalists, one as assistant to the chairman, one as general assistant to the vice-chairman. Other consultants were hired for their expertise in finance and on the basis of their general reputation.

Question. In its report, the Social Security Advisory Council recommended that "a general study of social security should be made by a full-time nongovernmental body, covering such matters as funding versus pay-as-you-go, possible effects of social security on capital formation, productivity, the proper size of the trust funds, the incidence of payroll taxes, and other basic questions." Do you personally share this opinion by the Council?

Answer. I certainly do share the Council's reasoning in making this recommendation.

Question. What was the Council's reasoning in making this recommendation? Was it based on recognition of the inadequacies in any short-term review? Did the Council's view reflect frustrations of Council members in your deliberations?

Answer. This particular Council was very conscious of the fact that it simply did not have sufficient time to adequately review the broad questions covered in the recommendation. Those matters are very essential to a proper understanding of the system and there are others which could probably be added to the list. We do not have any specific idea as to how the reviewing body should be created or the term it should serve. Our basic conviction was that 1 year, or even 2 years, was not adequate to really probe in depth the basic principles which underlie the entire system. These elements are so complex that they require far more time than an advisory council can normally apply. We simply feel that the questions are so important that a first-class group should be given whatever time is necessary to come up with definite answers.

Question. What were the reasons for specifying a "nongovernmental" review body? Do you think the key in the "nongovernmental" element was a feeling that independence from the Social Security Administration and HEW, is important?

Answer. The Council was very well impressed with the ability of the Social Security Administration, but it felt that the kind of deliberation and analysis with which the proposed body would be involved were not such that they could be handled by people charged with day-to-day administrative responsibilities. While it probably would not be improper to have a representative of government in the group, it certainly should be a very broadly representative group because of the very broad nature of the questions to be involved.

Senator FONG. You met once in 4 years, did you not?

Mr. VAN GORKOM. Yes.

Senator FONG. And then a new Council comes in?

Mr. VAN GORKOM. Yes.

Senator FONG. Now, don't you think we should have a National Social Security Commission that will work full time? Because you have given us many problems, which you have not been able to solve, and that are so complex and affect so many people, don't you think we should have a Commission that should be on the job, working at this, independent of HEW?

Mr. VAN GORKOM. Certainly the Council felt very strongly, after beating their brains out literally for 9 months over the problems, that the system is so important and so complicated that such an approach is not really a satisfactory way to do it.

There are some basic long-range problems that need to be attacked by some group. I will not attempt to say what group, but it does need a group of people who can devote time over a much longer period and who can get the necessary experts to work with them. There are some very broad problems, such as what is the effect of a social security system on capital formation.

Where does the tax really fall? Does the employer's part of the tax fall on the employee?

I could not agree with you more, Senator, and we are convinced that the problem is so complex, and the system so important to the country, that some kind of continuing devotion of effort by competent people should be arranged. I don't think it necessarily needs to be full-time people, but to put together a new Council every 4 years is not enough, and particularly when we are given only 9 months to do the job.

Even 2 years is not enough. I think you have to have people dedicated to it long enough so they understand the problems.

Senator FONG. I introduced Joint Resolution 5,* which calls for appointment of nine members to serve on a full-time basis.

Senator MOSS. The one question I wanted to pose is that many economists say that social security taxes are very regressive, and for that reason, should be altered. Did you deal with this in your report?

Mr. VAN GORKOM. Yes; we dealt with it in one sense.

The social security tax is not really as regressive as it seems to be. The tax rate is uniform to high- and low-paid people, but the benefits are not uniform. They are weighted heavily in favor of the low-paid persons, so it is less regressive in its total effects than it appears to be. I have stressed the importance of the relationship between wages and benefits and the sense of responsibility this induces in the employee-taxpayer. If the system becomes too "progressive," you run the risk of distorting this relationship to the point where the sense of responsibility is lost. You approach the same problem when you introduce general revenues. I think there is a fine line to be drawn, and reasonable men could certainly differ here. Certainly the tax is not nearly so regressive as people imagine.

Senator, I want to make this one statement, and that is, I want to close with a brief word of praise for the people we worked with in the Social Security Administration.

Here is a system that sent out over 30 million checks a year, and as a businessman, I can appreciate what that involves. They also keep records on over 90 million people, and yet they do all this with an administrative cost of less than 3 percent.

The people we met were hard working, knew their job, were dedicated, and they must be, or they could never hold those costs down that far.

Senator CHURCH. I think you have given us excellent testimony today. I want to express my appreciation and that of the committee for your appearance.

Mr. VAN GORKOM. Thank you.

Senator CHURCH. Our next witnesses are Mr. J. Henry Smith, chairman of the board, Equitable Life Assurance Society of the United States, and Mr. Rudolph T. Danstedt, assistant to the president of the National Council of Senior Citizens.

Senator Williams hoped to be here. He hoped to make it before your testimony ends and he wanted me to convey his regards to you in the event he could not be present.

Mr. Smith, you have a prepared statement? Do you wish to read that? Would you like to summarize it? You can proceed as you wish.

STATEMENT OF J. HENRY SMITH, CHAIRMAN OF THE BOARD, EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES

Mr. SMITH. I do have a prepared statement. I must say, we are following a very tough act. Mr. Van Gorkom's testimony was expertly done indeed and in his comprehensive development of the questions, he has covered a great deal of the testimony I might have given or is included in my prepared remarks.

I think I can save you some time, if you wish, by hitting some of the high spots of my testimony.

*See appendix 1, p. 859.

Senator CHURCH. That will be fine, and we will include your full statement in the record.*

Mr. SMITH. I have stood in Mr. Van Gorkom's shadow now for some time. He has been chairman of the subcommittee on which I served. I must say he has done an extraordinary, a wonderful job; and I congratulate him for his testimony here today.

There were three specific questions I was asked to cover, but before going into that, I would like to say that although I filed some of the demurs, I do not consider myself a dissident member of the Advisory Council.

I agree with most of its recommendations. I think in the time it had, and considering the magnitude of the questions and their diversity, the Council turned out a good job.

The principal question I am asked to cover is to give a summary of my reasons for opposing the majority recommendations of the Advisory Council, for a gradual reallocation of the contributions from part A of the medicare system to the OASDI cash benefit program, with the expectations that general revenues would become the sole source of funding for the hospital insurance program.

My contrary views in this recommendation, along with those of three other Council members, appear in a special statement on page 91 of the Council's report. I will summarize them briefly here.

SHIFT OF RESPONSIBILITY

Basically I do not believe this particular recommendation is a real solution to the funding problems faced by our social insurance complex. It just shifts the deficit from one social insurance plan to another, without solving the basic problem of underfunding.

I think it is wrong because first of all, it assumes that the Treasury is an easy source of funds, which I guess is a questionable assumption at best today.

Second, it makes a serious retreat from the principle of payroll financing which the Council has endorsed as appropriate to social insurance systems.

Third, the additional expenditures from general revenue, which would be required for medicare, unless financed by new taxes, will contribute further to inflation.

Fourth, general revenue financing would tend to mask the true costs of the program and weaken further the control over it; and finally, it would turn medicare into a kind of welfare program, which probably would involve a means test.

I cannot accept Mr. Van Gorkom's argument that medicare's status as a social insurance system would not be jeopardized.

I agree with the chairman's concern, as you expressed, that changing medicare to general revenue financing would tend to make it into a welfare program.

There are some more arguments in my prepared statement in this respect but perhaps it is enough to say, as Mr. Van Gorkom has argued quite persuasively, I think, we should not resort to general revenue financing for the cash revenue system. I thoroughly agree with him

*See p. 848.

but I think his cogent arguments apply to the medicare program as well as to the OASDI program.

This reduces us to taxes, just as the Council's recommendations would do with respect to medicare benefits. Regrettable as increased taxes may be, I think we should maintain the integrity of the system by calling in the near future for modest increases in OASDI contributions, just as we have done in the past and just as the system has been expected to do in the future.

A small increase, about a half of 1 percent for employers and employees would be adequate for several years. It would be a reasonable price to pay for the rapidly increasing benefits that are provided.

Again, I will skip along. The second question I was asked had to do with the function of the social security trust fund and I think Mr. Van Gorkom has adequately covered that. I will skip that part of my presentation, if you will agree.

The next question was: Do I have any fears about the soundness of the social security system and my answer to that is "No." This has been covered by others lately, and I will refer you to the backup arguments in this presentation, if you are agreeable. I do not think the system is bankrupt and I think if Congress will take the necessary steps, as I am sure it will do, in the long run, our three-tiered system can be perpetuated soundly and with full satisfaction.

THREE-TIERED SYSTEM

Now, this reference to the three-tiered system leads to what should be the relationship between social security and private pensions.

Again and again, as Mr. Van Gorkom has stated, the design of the income maintenance system appropriate for this country has been described as consisting of three tiers. Mr. Van Gorkom again outlined this at some length, the bottom tier being welfare arrangements, the middle tier being social security, OASDI system, and the upper tier being private enterprise savings, insurance, pension plans, et cetera.

This is the concept that I would stress in answering the question of the relationship between social insurance and private pensions.

I have a page and a half of discussion of this but I really think, in the circumstances, it might not be necessary to repeat it now. I believe Mr. Van Gorkom laid the foundation for all of the argument that is needed.

I will be glad to go further into it if you wish; but in the interests of time, I would suggest that if you have any questions I could answer, I will be glad to.

Senator Church. Thank you very much, Mr. Smith. Your prepared statement will be entered in the record at this time.

PREPARED STATEMENT OF J. HENRY SMITH

My name is J. Henry Smith, I am the chairman of the board and chief executive officer of The Equitable Life Assurance Society of the United States. I appear here, however, primarily as a member of the latest Social Security Advisory Council which recently rendered its report.

Because of the importance of the work of your special committee, I am pleased to have been asked to appear before you, hoping to respond helpfully to the questions you have addressed to me and to any others you might see fit to ask me.

Before coming to the specific questions, however, I would like to say that I do not consider myself a dissident member of the Advisory Council. I agree with much of what the Council has recommended. I think the Council has made constructive recommendations, including especially the plan to change the OASDI benefit calculation so as to stabilize the replacement ratios (i.e. the ratio of primary benefit to earnings in the year immediately preceding retirement). This particular change is needed in order to make the system more rational and equitable, less erratic in its results, and to introduce badly needed stabilization of costs. It is also important in overall retirement planning and integrating of private and public pension programs. All in all, I think the Council turned out a commendable product, considering the short time period available to it.

Now for the questions. Your first one asks that I give a summary of my reasons for opposing the majority recommendation of the Advisory Council for a gradual reallocation of the contributions for part A of Medicare to the OASDI cash benefits program, with general revenues becoming the sole source of funding of the Medicare hospital insurance program.

My views on that recommendation, along with that of three other Council members, appear in a special statement on page 91 of the Council's Report. I will try to summarize them for you here.

SHIFT OF RESPONSIBILITY

First of all, I do not believe that this particular recommendation is a real solution to the funding problems faced by our social insurance complex. It just shifts the deficit from one social insurance plan to another without solving the basic problem of underfunding. It is wrong because: (1) It assumes that the Treasury is an easy source of funds, a questionable assumption at best today; (2) it marks a serious retreat from the principle of payroll financing which the Council has endorsed as appropriate to social insurance systems; (3) the additional expenditures from general revenues, unless financed by new taxes, will contribute further to inflation; (4) general revenue financing would tend to mask the true cost of the program and weaken even further the control over it; and (5) it would turn Medicare into a kind of welfare program, which perhaps should involve a means test.

To argue that Medicare benefits are not wage-related and, therefore, it is appropriate to support them by general revenues is more a rationalization than a principle. There is no more valid reason today for funding Medicare from general revenues than there was initially. Medicare is now looked upon truly as a social insurance program, and it is just as desirable to support it with joint employer-worker contributions as it is for OASDI.

Regrettable as increased taxes may be, I think we should maintain the integrity of the system by calling in the near future for increased OASDI contributions, just as we have done in the past. A small increase—about a half percent for employees and employer each—would be adequate for several years. It would be a reasonable price to pay for the rapidly increasing benefits provided. It is likely that in the long-run, future increases in cost of the system will require additional taxation, and we might as well continue to exercise the discipline of balancing benefits and taxes as we have in the past. This is the only way to preserve the philosophy, the integrity and the general understanding and acceptance of the system.

Your second question asks: What do I perceive as the primary function of the Social Security trust fund? Before answering that question, let us note that OASDI system is financed on a "current cost method." There is no advance funding as we know it in a private insurance system. Instead there is a current intergenerational transfer of funds. The social security contributions of workers become the benefits paid to those retired. For those now working, benefits payable when they retire will be met by the following generation of covered workers. While this is not a sound method for private pension plan financing, it is a sound (and the only feasible) alternative for OASDI because the system is compulsory and universal and the government has the continuing power to collect the funds needed to pay future benefits.

Consequently, whatever trust fund is maintained is needed only to smooth out the differences between a fairly evenly rising expenditure level and an income

that is subject to seasonal, cyclical and even institutional variations. That is the primary function of the trust fund. There is no controlling theory dictating the size of the fund, but it should be large enough to smooth out variations and to meet the effect of contingencies such as an extended recession or period of high unemployment.

It is a matter of judgment, but I concur in the widely held view (put forward by at least one previous Advisory Council) that it would be desirable to aim in the longer reach for a reserve somewhere between 75 percent and 125 percent of 1 year's benefit payments. The current fund is less than that, being in the neighborhood of 67 percent. That seems low to me, but not dangerously so. It is still adequate to meet the deficiencies which are at all likely to occur in the near future. In view of current conditions, I go along with the Council's recommendation that the fund should be stabilized at about 55 percent of 1 year's outgo until 1980; and thereafter have it raised very gradually to 100 percent.

The next question is, do I personally have any fears about the soundness of the Social Security system? My response is "No", so long as benefits are kept to reasonable levels, because I believe Congress will always call for contributions to the plan adequate to support benefits. Let me state here and now that the scare stories that have appeared in many newspapers around the country to the effect that the Social Security system is going broke are much overdone. They do not give credit to the resilience of the system. It is not bankrupt; the difficulties we face are not insurmountable and they do permit sufficient time for correction. However, I would hope that, in taking the necessary corrective steps, the Congress would continue to display the wisdom it has shown in the past by stressing strict adherence to the fundamental principle that OASDI should remain a benefit-earnings related program with boundaries appropriate to the principles of the three tiered system.

THREE-TIERED SYSTEM

This last reference to three tiers leads to my response to the last question, which asks, what should be the relationship between social security and private pensions?

Again and again the design of the income maintenance system appropriate for this country has been described as consisting of three tiers. As our Council reiterated, the OASDI plan is, and should continue to be, the primary means of providing basic economic security in the event of retirement, disability or death of workers. Thus it is the core of the nation's total system of income protection. It is the central layer, however, because it is undergirded by means-tested welfare programs; and it is supplemented by private efforts, group and individual, essential to fulfill the needs and desires for protection above and beyond the floor of protection provided through the social security program. That program was introduced originally for the principal purpose of preventing workers and their dependents slipping into poverty and hardship and that should continue to be its rationale, and its dimensions should be drawn accordingly.

In this concept, private pension plans and individual thrift arrangements have an opportunity to build on the basic protection provided by the government system in order to help people and organizations provide desirable income levels that would give them reasonable comfort and standards of living appropriate to their earnings levels during active employment.

Thus it may be said that there is a partnership between the government and the institution of private thrift which I believe entails some obligations both ways. The government, that is the people, have the right to expect certain considerations and actions from the private sector. It can expect us in that sector to work hard to broaden our coverage and increase the adequacy of our offerings; it can expect better cost and quality controls; it can expect us to be responsive to needs (e.g., with regard to adequacy and vesting of benefits); it can expect us to be innovative and constructive in the interest of our citizens; and lastly it can legitimately expect the private sector to accept change when change is warranted.

And as to its role in the partnership, we hope that government will rely on us to carry out our part of the bargain; that it will hold high the encouragement of private thrift; and that it will avoid disabling legislation and will restrict the operation of the social security sector so that it does not unduly invade the private sector's sphere of operation.

It is my belief that with the new pension legislation recently enacted, the partnership I visualize is a going one with sound purposes and high potential.

I think I can speak with considerable assurance that we in the private sector will vigorously prosecute our job to see that healthy, effective and adequate growing private benefit systems will do their part.

There is one other point of great importance to be made as to private pension plans. To be soundly financed, they require (unlike social security) the accumulation of large dedicated funds. These funds must be invested and they become the source of much of the capital needed in this country for the nourishment and expansion of our industries and commerce. In the capital hungry days we are most likely to encounter in the future, this mechanism for supplying greatly needed financing will be of great value to the economy.

Senator CHURCH. Before we go to questions, I wonder if we might not hear from our other witness, Mr. Danstedt?

I understand, Mr. Danstedt, that like Mr. Smith, you take some exceptions to some of the recommendations of the Council and I wonder if, in the interest of time, you could emphasize those exceptions. Your entire prepared statement will be included in the record.*

STATEMENT OF RUDOLPH T. DANSTEDT, ASSISTANT TO THE PRESIDENT OF THE NATIONAL COUNCIL OF SENIOR CITIZENS

Mr. DANSTEDT. Yes: I think I can. I was also a member of the financial committee, of which Mr. Van Gorkom was chairman, to whom I also pay tribute, as Mr. Smith.

On the other hand, I did not only file a supplementary statement but a dissent and I think part of that dissent was related to the process engaged by the Advisory Council.

After all, we really did not get down to dealing with financial proposals until the next to the last of the 2-day meetings. It takes time to get oriented. We did not have enough time, we had only 9 months, in contrast to the 18 months of the 1970-71 Council.

Actually, we could, under the law, have been appointed back in 1973, if Mr. Weinberger had got going and done something about it, so we could have had a good deal more time on our hands but we found ourselves with only two 2-day meetings available to discuss finance and then we came out first with a proposal for a \$24,000 wage base and an increase in the tax rate, to take care of both the shortrun and the long-range costs.

There was a minority of us who favored raising the wage base but insisted we could not impose any more taxes on the employee group and insisted that the time had come for us to begin going gradually into the use of the general revenues.

We lost out on this, however. The majority did approve a \$24,000 wage base and increase in the tax rate. On the last 2 days of meetings we found ourselves in a position whereby, for all practical purposes, we rescinded the action taken at the previous meeting of the Council and wound up on a late Saturday of the last two meetings with no plan for financing. Then we found ourselves engaging in an informal meeting of the Council and running what I call a shell game, pushing the shells around. We lifted one up and found a pea that constituted hospital insurance contributions and decided that was the way we could take care of the deficit.

Now, again this morning, when I heard Mr. Van Gorkom's presentation, I wish we could have found another set of meetings to discuss

*See p. 853.

more fully, the implications of the action that was proposed. We never discussed adequately the use of the general revenues but we found ourselves pushed, in this last session, into making a decision in which we do take the hospital contributions and use them to finance the deficits in the OASDI program. My dissent is substantially related to the process in which we engaged.

Now, as I say, I could go on and develop a lot more fully why I felt this strongly about the action taken. I put in a lot of time and effort, a lot of consultation and decided I not only had an obligation to object to this process which Mr. Van Gorkom admits and I think anybody who want to talk to agrees, it can only eventually reduce medicare to medicaid.

There is bound to be a means test of some sort applied, when you begin to introduce general revenues in the hospital insurance program.

AN ALTERNATE APPROACH

I felt I had an obligation also to try to suggest another approach and this is contained in my presentation and it is relatively simple. It increases first the wage base, maybe \$24,000, moving gradually up over a period of time to maybe as much as \$28,000, which by the way was also enforced by the AFL-CIO executive council at its meeting in February.

Second, I think there should be a tax on the employer's full payroll: third, with the increase in the wage base, the insurance program would be overfinanced and we would take the 0.2 percent tax on employee and employer that goes in effect in 1978 and shift that over to the cash side of the picture. My final recommendation is to restore to the Social Security Act the authority to appropriate to the trust funds moneys from the general revenues.

Under this formulation I developed, we would come out with a plan that would enable us to move well into the late 1980's—with the increase in the wage base, the shift of this small health insurance increase over to the cash benefit side of the picture and then maybe in the latter part of the century, we would have to move gradually into the use of general revenues.

I was intrigued when, at the Council's press conference on Friday morning, Mr. Weinberger, to whom we were reporting, failed to appear. However, his presence was felt in terms of the statement he put out, in which he objected to the use of the general revenues for financing the medicare part of the social security. Then on the same day the President also voiced a similar objection. Thus from the standpoint of where the votes count and from the standpoint of the persons to whom we made this report, the Council struck out with respect to how the system should be financed in the period ahead.

If we had the time today, I would enjoy getting into a discussion on raising the wage base—what it really does—in terms of the fact that it does not affect capital formation, does not affect ability of the people to purchase annuities. I particularly want to emphasize that probably less than a third of the people under social security have any kind of annuities. The Council report talks about our income protection system—SSI which is a means test. Social security, and private annuities available only to a favored minority.

Private pension arrangements are available only to about one-third

of the people on social security and it will be years before even half of the social security recipients will be covered by private pensions.

The only solid income protection system we have is the social security system. This I have emphasized in my dissent.

Senator CHURCH. Thank you very much, Mr. Danstedt. Your prepared statement will now be inserted in the record.

[The prepared statement follows:]

PREPARED STATEMENT OF RUDOLPH T. DANSTEDT

Mr. Chairman and members of the committee, I am Rudolph T. Danstedt, assistant to the president of the National Council of Senior Citizens and a public member of the 1974-75 Advisory Council on Social Security.

I welcome this opportunity to respond to several questions you have proposed to me, but would also like to lay forward some observations on the activities of this Advisory Council.

Your first question asks why a decision was made at such a late date and in such a short time to change the nature of the hospital insurance part of Medicare from a contributory insurance system to a system which would be supported entirely by general revenues.

I think it is important to indicate that the Council had only 9 months in which to pursue its activities—less than half the time available to the 1970-71 Advisory Council. We were not appointed and organized until April 1974, although the legislation under which we were authorized would have permitted the Secretary of the Department of Health, Education, and Welfare to appoint this Council in late 1973. This, together with the fact that we were up against the findings of the 1974 Report of the Board of Trustees that the cash benefits program of Social Security (OASDI) over a 75-year span was facing a long-range deficit of about 3 percent of payroll, caused us to focus upon the cash benefits program. Reluctantly and with considerable personal reservation, I agreed with other members of the Council that we didn't have the time to examine the Medicare program.

This decision was reflected in the activities of the Finance Committee, of which I was a member, and caused us to ask our Consultants—two economists and three actuaries—to focus exclusively on the factors that affected the cash benefit program. Early in the deliberations of the Finance Committee, as I am sure previous witnesses have indicated, we identified the problem that the automatic formula in the Social Security Act—because of double digit inflation—was producing and charged our consultants with developing a method for "decoupling" the system. Incidentally, the terms "coupling" and "decoupling" are apparently new terms in the social security vocabulary—at least I have found them to be—and various social security experts I have consulted recognized the phenomenon but had not heard the term.

I want to underline again that both the short-range and long-range deficits in the social security system are on the cash benefit side, and I think the Council acted very responsibly in analyzing the causes of this deficit, and, how through a "decoupling" system this deficit might in the course of time be considerably alleviated.

An examination of how we spent the nine 2-day meetings of the Council—between May 3 and 4, 1974 and the concluding 2-day meetings on January 19 and 20, 1975—offers an explanation but not a justification for compacting the fundamental fiscal decisions of the Council to its last two sets of 2-day meetings—actually, its very last 2-day meeting. Probably, three or four 2-day meetings were spent in general orientation and familiarization with the Social Security program. Two other 2-day meetings were devoted in substantial part, under the tight restrictions imposed by the fiscal situation, to reviewing the retirement base, the definition of disability and the minimum benefit with a yield of no great significance. As a matter of fact, several of us later rejected the proposal for the so-called liberalization of the retirement test as unnecessary, and the liberalization of the disability definition as inadequate.

In the next to the last of the 2-day meetings, the majority agreed to a proposal that would raise the wage base to \$24,000 and raise the tax rate, modestly at first and then much more substantially as we moved into the twenty-first century. This formulation under the assumptions under which we operated—a fertility rate of 2.1, an average increase of 5 percent in wages and an average increase of

3 percent in consumer prices—would have provided for both the short-range and long-range deficits. A minority of us supported an increase in the wage base of \$24,000, but objected to an increase in the tax rate, recommending instead that there be no increase in the tax rate, but that we call upon the general revenues, modestly at first and then in the twenty-first century more substantially, moving up perhaps well in the twenty-first century to one-third employer, one-third employee and one-third general revenues. At the last meeting of the Council, however, the majority rescinded the earlier proposal for a wage base increase to \$24,000 and an increase in the tax rate, arguing that an increase to \$24,000 base would interfere with capital formation and the purchase of private annuities. Thus the Council found itself on the next to last day of its deliberations without any financing proposal.

That evening, at what amounted to a "buzz" session—it was not an official meeting of the Council—and in what was a sort of fiscal shell game—the pea was found under the hospital insurance shell. The argument was advanced, as you have heard already from previous witnesses, that contributions for hospital insurance are not wage related and that benefits bore no relation to the contributions made. Therefore, it was held that there is no real reason for funding such costs by a tax on wages. Hospital expenditures, it was argued, would seem to be more properly funded from the general revenues. This proposal was then formally laid before the Council and under pressure of terminating the Council's activities and without due and deliberate consideration was approved by a majority—a vote of 8:5.

I am prepared to say that had we given this proposal the careful consideration it deserved and perhaps even postponed action until one more meeting, the proposal would not have been approved. There is no question in my mind or that of any careful student of the social security system but that the hospital insurance program is just as much social insurance as the cash benefit program. Payroll contributions to hospital insurance, as is true of the OASDI cash benefits program, constitute a contract between the worker and his government that when he retires and/or is disabled, his income falls and the incidence of illness rises, his cost of hospital care will be substantially provided for. Financing hospital insurance exclusively from the general revenues destroys the right to such hospital insurance payments, opens the door to the application of a means test and equates the program with Medicaid.

As I have stated, I am sure that had there been an opportunity for a subsequent meeting to weigh fully and carefully the implications of the action taken by the Council on its last day, this proposal would have been defeated.

You will note that there are five of us who filed supplementary statements and object strongly to the Council's action to capture hospital insurance contributions to finance the deficit in the cash benefits program. Another member of the Council, who was unable to meet the deadline for filing a supplementary statement, is also opposed to the transfer. My analysis at this point produces then a vote of 7:6 for the proposal—a bare majority.

The employee representatives on the Council, who were selected individually instead of from a panel proposed by the AFL-CIO—as has been long past practice—were in my judgment, inadequately advised by their consultant—an employee of the Department of Labor. Had they been afforded an opportunity to examine and deliberate fully the Council's proposal, I am certain they would have opposed it. My analysis now produces a vote of 4:9 against the transfer of hospital contributions. We would then have been down to the hard rock and compelled to choose between an approach similar to the one I present in my dissent or one requiring at least a 1 percent increase in the tax rate now and a much more substantial increase in the rate later.

The Council's proposal to use the general revenues for financing the hospital program got promptly vetoed by the Administration. When the Report was scheduled to be presented to HEW Secretary Weinberger on Friday, March 7, 1975, although the Secretary was not present, his presence was felt in the press statement he issued which read in part:

The only recommendation of the Advisory Council I must oppose now is the one which calls for the introduction of substantial amounts of general revenue financing into the social security system. I think such a step would be inappropriate for a program whose strength has depended so heavily on support by working people and their employers. We should find other ways to solve the financing problems in social security.

Later on the same day a statement by the President indicated that such a shift (i.e., the use of general revenue funds for financing hospital insurance) would depart from the "earned right principle" that he strongly supports as a basic feature of social security.

The proposal which I make in my supplementary statement and dissent might possibly appeal to Mr. Weinberger and the President because it is realistic, solid and fiscally responsible. It also postpones well beyond their incumbency any use of the general revenues. The elements of this proposal are:

NCSC PROPOSALS

1. Beginning in calendar year 1977 the maximum amount counted for the computation of benefits and for contributions—the wage base—should be raised above the approximately \$16,800 that can be expected to be in effect in 1977 under present law. The economic impact of such an increase would not be felt until the fall of 1977 because it is not until then that any significant number of workers would have earnings that exceed the \$16,800 figure that would be in effect in any event. The exact amount of the increase in the earnings base should be determined by whether it is to be done in one step or in several steps. One alternative is to increase the amount to \$24,000 in 1977 and have it rise automatically from this figure as wages increase. Another possibility is to provide for more gradual increases, that is, a lesser increase for 1977, compensated for by larger increases later. It is of interest to note that the AFL-CIO Executive Council has endorsed moving the wage base up to \$25,000 over a period of years.

2. A tax on the employer's full payroll. A maximum on the benefit and contribution base for individual workers is appropriate since the amount that people pay and the amount that is credited to their record for benefit purposes should be tied together, and it would seem unreasonable under social insurance to compute benefits on the very high salaries earned by the top 2 or 3 percent of the wage-earning portion of the population. There is no similar need for a limitation on employer's payroll. The tax on employer's payroll is less now than contemplated in the original Social Security Act. There was then provided an ultimate combined employer tax rate for social security and unemployment compensation totalling 6 percent. Because of the lower proportion of wages now covered under the experience rating of unemployment compensation and the increased tax deductible advantages now available through corporate tax laws, the tax burden on employers is now significantly less than provided by the original law.

3. That since the hospital insurance program, because of the rise in the wage base, will be over financed, the 1978 scheduled increase of 0.2 percent of payroll to employees and the like amount on employers, be allocated to the cash benefit program.

4. That there be restored to the Social Security law the provision for general revenue financing that existed from 1944-50 which reads: "There is also authorized to be appropriated sums as may be required to finance the benefits and payments provided for in this title."

These first three recommendations, according to the best estimates I have been able to obtain, will solve the short-run financing problem of the cash benefit program and carry the cash benefit program on a self-sufficient basis well into 1980's. Then, depending on what happens to the wage and cost of living rates, a limited contribution may be required from the general revenues in the last decade of this century.

Finally, with respect to the twenty-first century, my statement sees no need to provide, on the basis of a highly speculative set of assumptions concerning the movement of wages and prices, a set of contribution rates in the next century that are any higher than those required to support the program over the next few decades, and have recommended that it would be more reasonable now to provide specifically for contribution income to finance the present program over such a period, and at the same time to restore to the social security law the provision for general revenue financing that was contained in the law from 1944 to 1950.

AGE DISTRIBUTION NO BARRIER

My statement further holds that the predicted change in the age composition of the population does not present any major increase in the burden of supporting

non-workers. The very assumptions that lead to an increasing proportion of older people to those of working age leads to a smaller number of children per person of working age. Taking the two nonworking parts of the population together—the retired aged and children—there is little change in the ratio of dependents to workers. Thus the resources now required for the upbringing and education of children can under these population assumptions be directed toward providing for older people, at least in part, without any increased burden on current workers. Under such circumstances there is little doubt also but that labor force participation of older people would increase. Cost savings to social security would, of course, result from such increased labor force participation by older people. It is not necessary to change the legal age at which an individual becomes eligible for benefits, as discussed in the Council. With greater opportunity for employment, the cost savings will come about automatically. The proposal to change the legal age of entitlement not only violates the agreement between the social security payee and his government, but penalizes the person who chooses to retire or has to retire because of health or employment circumstances.

It is also possible that costs in the next century measured as a percentage of covered payroll will be smaller than indicated by current estimates because of greater labor force participation by women. With smaller families such a result would seem to be quite likely. Most fundamental, of course, is the long-range trend of productivity increases. Although as indicated earlier, the long-range actuarial deficit of the system is 3 percent of payroll with an assumption of 5 percent increases in wages and 3 percent increases in prices and a 6 percent of payroll deficit on a long-range assumption of a 6 percent increase in wages and a 4 percent increase in prices, an assumption of a 5 percent increase in wages and a 2 percent in prices shows the present program to be fully financed! Thus, whether or not there really is a long-range financing problem for social security depends on a highly speculative set of assumptions about fertility rates, labor force participation rates, and long-range movement of wages and prices and the productivity of the labor force.

I have enjoyed my participation on this citizens' board of review of Social Security, and the opportunity to understand the system better and to make perhaps some small contribution.

I wish that we had been allowed more time and that we had not been so burdened by the specters of double-digit inflation and recession.

I have resented on occasion what I considered over-representation of economists who seem to view the social security system as a massive tax program that needs restructuring at the expense of the benefits provided.

However, I have come out of this experience subscribing fully to the conviction contained in the title of the recently issued White Paper, endorsed by five former HEW Secretaries and three former Social Security Commissioners, "Social Security: A Sound and Durable Institution of Great Value," that (1) the short-term financial problems of the system are clearly manageable without radical change, and (2) that any long-range problems in financing can and will be met in a way to fully redeem the promises made to social security contributors.

Senator CHURCH. Mr. Danstedt, since you did comment on the pace with which the Council reached its conclusion, respecting the means to be followed for some, or for solving the financial problems facing social security, and since the Social Security Advisory Council did go into wage control, do you believe that representation for elderly consumers on the Council is adequate?

Mr. DANSTEDT. Well, I guess I was the only person who represented the elderly consumer on the Social Security Council. I think there was one other at the point of retirement.

Mr. SMITH. That is I.

Mr. DANSTEDT. There may have been two of us. Yes, I think, I think we ought to view the Social Security Advisory Council as not a great big technical body that is supposed to be wise and answer all of the problems of the social security system but rather as a citizens' board of review of the social security system, so I think it ought to be representative of the persons who are now availing themselves of the social security program.

I assume the reason it has an employer-employee representation is also to get representation from the groups helping to support the program. I would think it would make a great deal of sense, since this program is so important to the welfare of the older people and disabled, to insure there is representation from those areas.

Senator CHURCH. In the report, you take the position of opposing a full-time body on issues to come before the next Advisory Council. Would you care to elaborate on the reasons?

CHALLENGE TO NONGOVERNMENTAL SURVEY

Mr. DANSTEDT. As I recall, I objected very strongly in my dissent. To go outside to some nongovernmental research organizations, to make some kind of examination or study of the social security system, seems to me almost ridiculous.

Senator CHURCH. Were you afraid that might be turned over to a Brookings Institute?

Mr. DANSTEDT. No; I think there was another group. I cannot recall it at the moment. It might be even further to the right than the Brookings Institute.

Mr. SMITH. American Enterprise Institute.

Mr. DANSTEDT. We have expertise in the Social Security Administration and in other branches of Government and there are ways in which we can get volunteer help or help can be purchased.

For example, we found in the instance of the Finance Committee, the economic consultants, and actuaries very helpful to us in making our decision at that point. I do not think we need a device, say, of a special group, set up apart from the Advisory Council, to make an intensive study. We have to focus on the citizens' board-review approach.

Senator CHURCH. I notice in the President's reaction to the report of the Council, he agreed with you, Mr. Smith. He took exception to the recommendation of the Council that medicare being utilized for purpose of financing social security and that as its revenues were phased into the social security account, general revenues be used to substitute medicare.

However, the President has also recommended that the law be revised to limit the amount of benefit in the coming adjustment in July to 5 percent, instead of 8.7 percent which reflects the increase in cost of living.

What is your position with regard to that matter, Mr. Smith?

Mr. SMITH. I would not favor limiting the increase to 5 percent. I think in effect a compact has been made which the Congress is morally obligated to carry through.

Senator CHURCH. It seems to me if we are going to have a retirement program that is going to be working, it has to be made inflation proof.

Is it not true that the best thing that could be done to remedy the problems that now face social security would be to stabilize our economy?

EFFECT OF INFLATION

Mr. SMITH. Of course. I do think, however, that when the provision was installed for increasing benefits by virtue of increases in the cost of living, it may have lacked some control that would have been useful and proper.

True enough, to put it as you said, the integrity of the system needs to have some sort of increasing arrangement to overcome the ravages of cost of living but whether it needs to go to 100 percent is the question, I think.

I think the wage earners today are not being protected to that extent. People who are working currently, you and I and others, are not being fully protected; our wages are not going up as fast as inflation. We suffer in this regard, a gradual decline in the standard of living, on this account. To protect pensioners to the full extent of 100 percent may be a little out of joint as compared with the rest of the country.

Perhaps some modifications of the full increase would have been wise when the law was originally proposed and adopted, to maintain some degree of equality between those who work and those who do not want to work. That would have helped to maintain a little better control of the costs as well.

My own company has a pension plan that has a cost-of-living escalator in it but we have a definite limit on it. That, of course, is a little different proposition: it is therefor financial protection of the company, so to speak. If necessary, we supplement that further by increasing payments on a voluntary basis by action of the board of directors at the appropriate time. If and when we do, I do not think we will go all the way to the full limit of the increase in the CPI—I think that would be overbalancing the situation between the retired people and the active people.

Senator CHURCH. As I listened to Mr. Van Gorkom this morning, it struck me that all of the projects are based upon the expectation that we will continue to live with inflation for the rest of our lives or as far ahead as we can perceive. He spoke also of the suddenly changing relationship between wages and the cost of living and was unable to say for sure whether that was also a change that we would continue to live with in the future or whether it was simply a temporary phenomena but there we were able to solve the problems of stagflation in this country, which are recent problems.

It is possible, like in the Eisenhower years, to maintain a stable economy without inflation: it was possible even in the Kennedy years prior to the Vietnam war to maintain a very modest rate of inflation, about 1½ percent a year.

Now, suddenly, we are told the economy has been restructured and we will have to accept inflationary rates of very, very substantially above those in the past and we have to accept a large unemployment level as well.

Well, if that is the case, then it is not surprising that social security should suffer. Everything else based on long-term planning is in trouble and I think that we could correct the underlying problems in the economy; we would not have to worry about the future solvency of the social security system.

Mr. SMITH. You are certainly correct. I fully subscribe to that.

Senator CHURCH. Well, thank you very much, Mr. Smith. Thank you both for your testimony this morning. It has been very helpful.

The committee will meet again tomorrow morning at 10 a.m. in room 4221, Dirksen Building, for continuation of these hearings.

[Whereupon, the hearing was recessed at 12:15 p.m.]

APPENDIXES

Appendix 1

STATEMENT BY SENATOR HIRAM L. FONG ON SENATE JOINT RESOLUTION 5, REPRINTED FROM THE CONGRESSIONAL RECORD, MARCH 13, 1975

NEED FOR INDEPENDENT SOCIAL SECURITY COMMISSION REINFORCED

Mr. FONG. Mr. President, reports on social security by two panels during the past several weeks have considerably strengthened my view that there needs to be an independent, bipartisan, permanent National Social Security Commission as proposed in Senate Joint Resolution 5 which I have previously introduced with cosponsorship by Senators FANNIN, TOWER, THURMOND, BROCK, DOMENICI, and HANSEN.

The most recent of these reports was that released last Friday by the Advisory Council on Social Security. Three weeks earlier there was an important report on social security financing with special reference to long-range actuarial estimates by a special Finance Committee panel of actuaries and economists.

In both reports, there were recommendations for additional studies of the type that would be carried out on a continuing basis by the National Security Commission proposed in Senate Joint Resolution 5.

I strongly urge that every Member of the Congress give careful attention to findings by the Finance Committee panel and the Advisory Council. No less important should be careful noting of the extensive problems which these groups recognized as incapable of adequate review within the short period of time each group had for its work.

Because of the tremendous size of the social security system and the varied ways in which it has impact on every American, it is inevitable that there will always be major problems deserving of careful study by qualified experts. It is precisely for this reason that I believe creation of a permanent, bipartisan National Social Security Commission, is so important to the American people and would be extremely useful to the Congress.

One of the major recommendations by the Advisory Council affords a good example of the kind of problem that needs most thorough study and the kind that deserves much fuller exposure to public opinion and independent expert review than is possible with any short-term ad hoc review council or committee.

I have reference to the Advisory Council's recommendation that there be a gradual shift in medicare financing from the social security tax to general revenues and the application of social security tax funds so freed to the old age, survivors, and disabilities cash benefits program. This proposed abandonment of the contributory principle for financing medicare has already aroused heated critical comments even from those who strongly favor some general revenue financing of social security as a whole.

In any judgment such a radical departure from the past is one which should be studied very, very carefully—with studies and analyses made of all the alternatives and variables. Only when these alternatives are laid out for Congress, should any departure be considered from the earnings contribution financing of medicare or any other benefit program under social security.

Other recommendations by the Advisory Council deserve equally thorough analysis of a kind which I fear no group of men and women can give in so short a time as the Advisory Council had—no matter how capable or dedicated its membership may be.

SOCIAL SECURITY COMMISSION MEMBERSHIP

Because they reflect the kinds of background which should be requisites of persons named as members to the National Social Security Commission, and because their work deserves personal recognition, it is appropriate that the Finance Committee panel members, and both members and consultants for the Advisory Council on Social Security be named in these remarks.

The Finance Committee study panel consisted of:

Chairman William Hsiao, Ph. D., associate professor of economics at Harvard University and former Deputy Chief Actuary of the Social Security Administration.

Peter A. Diamond, Ph. D., associate professor of economics at Massachusetts Institute of Technology and a fellow, Econometric Society.

Meyer Melnikoff, F.S.A., senior vice president and actuary of the Prudential Insurance Co. of America and a member of the Pension Research Council at the Wharton School of the University of Pennsylvania.

Ernest J. Moorhead, F.S.A., a consulting actuary who had had employment with several insurance companies and has served as president of both the Society of Actuaries and the Academy of Actuaries.

Edmund S. Phelps, Ph. D., professor of economics at Columbia University, a fellow, Econometric Society, and a member of the board of editors of the American Economics Review.

Walter Shur, F.S.A., executive vice president of the New York Life Insurance Co. and the author of several papers published in the transactions of the Society of Actuaries, including a paper on the financing of Federal retirement systems.

Membership and consultants for the Advisory Council on Social Security were as follows:

MEMBERSHIP OF THE COUNCIL

Chairman W. Allen Wallis, chancellor of the University of Rochester, and a former Special Assistant to President Eisenhower.

Stanford D. Arnold, secretary-treasurer, Michigan State Building and Construction Trades Council, AFL-CIO.

John W. Byrnes, attorney; former U.S. Representative from Wisconsin and former ranking minority member of the House Ways and Means Committee.

Rita Ricardo Campbell, Ph. D., senior fellow, Hoover Institution, Stanford University; former member of President's Committee on Health Services Industry.

Edward J. Cleary, secretary-treasurer, New York State Building and Construction Trades Council, AFL-CIO.

Rudolph T. Danstedt, assistant to the president of the National Council of Senior Citizens.

Edwin J. Faulkner, president, Woodman Accident and Life Co.

Vernon E. Jordan, Jr., executive director, National Urban League. Mr. Jordan was unable to participate in the council's work and was represented by Thomas E. Mitchell, Washington, D.C., deputy director, Washington Bureau, National Urban League.

Elizabeth C. Norwood, assistant research director, Eastern Conference of Teamsters.

John J. Scanlon, executive vice president and chief financial officer, retired, American Telephone & Telegraph Co.

J. Henry Smith, chairman of the board, Equitable Life Assurance Society of the United States and fellow, the Society of Actuaries.

J. W. Van Gorkom, president, Trans Union Corp.

Arnold R. Weber, Ph. D., vice chairman, dean, Graduate School of Industrial Administration, Carnegie-Mellon University; former Assistant Secretary, Department of Labor; former Associated Director, Office of Management and Budget.

CONSULTANTS TO THE COUNCIL

Philip Cagan, Ph. D., professor of economics, Columbia University.

Hugh Conway, Ph. D., economist, Office of the Secretary of Labor.

Martin Feldstein, Ph. D., professor of economics, Harvard University.

Robert Kaplan, Ph. D., professor of industrial administration, Carnegie-Mellon University.

Robert J. Myers, professor of actuarial science, Temple University; former Chief Actuary, Social Security Administration and fellow, the Society of Actuaries.

Sherwin Rosen, Ph. D., professor of economics, University of Rochester.

Charles E. Trowbridge, senior vice president and chief actuary, the Bankers Life; former Chief Actuary, Social Security Administration, and fellow, the Society of Actuaries.

Howard Young, consulting actuary; special consultant to the president, United Auto Workers.

Persons such as the foregoing have precisely the kind of qualifications envisioned in Senate Joint Resolution 5 which states that members of the commission shall be individuals of recognized standing and distinction who have demonstrated capacity to discharge the great responsibilities which the resolution places upon them.

ADVISORY COUNCIL RECOMMENDS FULL-TIME REVIEW BOARD

I was especially impressed that the Advisory Council on Social Security recommended a permanent, continuing review mechanism for the social security system.

While the proposed mechanism differs from that in my Senate Joint Resolution 5, the Advisory Council's conclusion undoubtedly reflected its own experience in trying to do a thorough job under terms of the present Social Security Act. I can think of few stronger recommendations for action along the lines of Senate Joint Resolution 5.

It is especially appropriate in this connection for me to emphasize that I am not absolutely wed to the precise form and language for a National Social Security Commission which appears in Senate Joint Resolution 5.

My purpose when I first introduced this proposal in 1973 was to see that effective action is taken to reassure the American people that social security is being constantly examined in their interest by a responsible agency independent of the Social Security Administration. This still remains my primary goal.

I do believe that such a commission should be bipartisan. I feel it should report frequently to the President, the Congress, and the people, I am convinced that the method of appointing members set forth in Senate Joint Resolution 5 is highly desirable. The important matter, however is that there be a constant independent overview of social security.

The language of the Advisory Council's report calls for "a general study of social security . . . by a full-time non-Government body covering such matters as funding against pay as you go, possible effects of social security on capital formation, productivity, the proper size of the trust funds, the incidence of payroll taxes, and other basic questions."

Except for my belief that a governmental agency would probably be better, I believe the Advisory Council and I are in basic agreement on the important issue—full-time, thorough independent review of social security.

The drawback in any short-time intermittent review was given additional emphasis by the Finance Committee's Panel on Social Security Financing in its statement:

"In view of limitation of time, the Panel concentrated its study on the structure of the retirement benefits and its impact on the financing of the program. Other benefit formulas such as survivor benefits may reserve an equally thorough study."

MAGNITUDE OF SOCIAL SECURITY REQUIRES CONSTANT OVERVIEW

In my repeated calls for creation of the independent National Social Security Commission, I have reiterated that social security in many respects is the biggest business in America.

Old age, survivors, and disability cash insurance payments and health insurance benefits to approximately 30 million people during 1975 will exceed \$70 billion. Over 90 percent of the American people are covered. Everyone directly or indirectly participates in its financing.

The importance of independent review of the system by experts serving an ombudsman role on behalf of all the people is made clear by these statistics.

The implications of social security, however, go far beyond the dollars in benefits and the taxes paid to provide such benefits. The system affects all efforts of individual Americans and groups to provide financial security for themselves. It

has an impact on private pensions, individual insurance and savings, health care patterns, and on employment and retirement practices in our Nation.

At no time has there been an authoritative review of all these elements which affect social security or are affected by it.

I believe it is high time that we look deeply and regularly at these questions.

HOW SENATE JOINT RESOLUTION 5 WOULD CHANGE LAW

Under Senate Joint Resolution 5, the National Social Security Commission would have a continuing responsibility to study, investigate, and review the Federal old age, survivors, and disability insurance program and the health insurance programs which operate under authority of the Social Security Act.

At present, the Social Security Act provides for such an overview by the Advisory Council on Social Security, but only on an intermittent part-time basis. Under our resolution, the Advisory Council would be replaced by the full-time National Social Security Commission.

It is unfair to the American people, the Congress, and the President to rely for such important studies on an advisory council which holds a limited number of meetings during 1 year out of 4 as is now the case.

Social security is too big, too important to be the object of only part-time review. Nor is it desirable that such review should be in the hands of the Federal department charged with administration of the social security program.

If the interests of the people are to be fully safeguarded, a constant overview of social security is needed, independent of its administrators—not on a part-time, intermittent basis, but with full-time surveillance. This is the intent and purpose of the National Social Security Commission to be created by Senate Joint Resolution 5.

The importance of the Commission's work, as recognized in the resolution, is underscored by the manner of appointment of its nine members and the provision that the Commission shall be bipartisan.

The Commission chairman and four members would be appointed, on a bipartisan basis, by the President with the advice and consent of the Senate. Two members each, with no more than one from a single political party, would be appointed by the President pro tempore of the Senate and the Speaker of the House of Representatives.

This is another way in which the Commission would differ from the currently authorized Advisory Council on Social Security, whose membership is named by the Secretary of Health, Education, and Welfare.

The Commission membership unquestionably should include men or women recognized as authorities in the fields of actuarial science, economics, and other appropriate disciplines.

The National Social Security Commission, in short, should be a blue-ribbon panel capable of imaginatively and effectively responding to both specific and broad ramifications of social security. It should be independently staffed by persons able to give continuous expert attention to such ramifications.

The Commission must, of necessity, give recognition to the fact that with a program as big as social security there are changing trends which affect its operation and the needs of people whom it would serve.

Through the National Social Security Commission we would provide a new and important assurance to all the people that these trends will be given consideration. Its objective will be to give constant attendance to ways in which social security may fulfill its maximum promise for the benefit of all America.

Appendix 2

LETTERS AND STATEMENTS SUBMITTED BY INDIVIDUALS AND ORGANIZATIONS

ITEM 1. LETTER AND STATEMENT FROM ALLEN WALLIS, CHANCELLOR, UNIVERSITY OF ROCHESTER, AND CHAIRMAN, 1974 ADVISORY COUNCIL ON SOCIAL SECURITY; TO SENATOR FRANK CHURCH, DATED MARCH 11, 1975

DEAR SENATOR CHURCH: Here is my statement about the recent report of the 1974 Advisory Council on Social Security of which I was Chairman.

I regret that I cannot be present on March 18, and I appreciate your willingness to let me submit a written statement. Mr. Weber, Vice Chairman of the Council, and Mr. Van Gorkom, Chairman of the Subcommittee on Finance, will testify personally, I believe, and they can answer questions about the Council's work as well as I could.

After the end of the month I will be back in the country and will be pleased to cooperate in any way I can.

Sincerely yours,

ALLEN WALLIS.

[Enclosure]

NOVEL CHARACTERISTICS OF THE COUNCIL

The sixth Advisory Council on Social Security was different in several important respects from past Councils.

This was the first Council not to include among its members any of the men and women who created the social security system four decades ago, and not to have any member who had served on an earlier Council. This Council is unique, also, in having had only 8 months for its work instead of the normal 20 months or more.

This 1974 Council differs from previous Councils in having carried on its work entirely in public, as required by legislation enacted in 1972. One consequence of this was that before its Report had even been drafted, its principal recommendations were widely published, often with substantial inaccuracies.

This Council also dealt with social security at a time when the financial soundness of the system was receiving unusually active attention in the Congress, the news media, and the academic world.

AREAS OF COUNCIL CONSIDERATION

Because the time available to the Council was short, we focused on relatively few topics. We gave priority to the financial soundness of social security, not only because the basic law under which we were appointed required it but also because of urgent concerns recently expressed by members and staff of Congress. At our first meeting a Subcommittee on Financing was established, consisting of Rudolph T. Danstedt, Elizabeth Norwood, and J. Henry Smith, with J. W. Van Gorkom as chairman.

We gave priority also to differences in the treatment of men and women and of married and unmarried persons. This was partly because of charges that the social security program discriminates against women. It was also because the "Equal Rights" amendment to the Constitution may be nearing passage and may require changes in social security; and even if the amendment is not adopted, it appears likely that similar effects will be achieved, though less abruptly, by court decisions. At our first meeting a Subcommittee on Treatment of Men and Women was formed, consisting of Edward Cleary and John J. Scanlon, with Rita Ricardo Campbell as chairman.

We also decided at our first meeting to limit our consideration of health insurance to a cursory review of its financing. The health field alone, had we reviewed all its aspects, would have been more than we could have handled in our 8 months. Furthermore, it is receiving extensive and intensive study in connection with proposals for national health insurance, and it seemed unlikely that we could add anything.

At our second meeting we formed a Task Force on the Purposes, Objectives, and Principles of Social Security. Members were Stanford Arnold, Edwin Faulkner, and Thomas Mitchell, with John W. Byrnes as chairman.

By our third meeting we had come to realize that the operation of the new automatic cost-of-living adjustments to benefits, enacted in 1972, required correction—in particular, to make the relationship of benefits to wages in the future more predictable, more amenable to congressional control, and less subject to unpredictable variations in prices and wages. We assigned this as a problem of high priority, through the Subcommittee on Financing, to our actuarial and economic consultants.

A great deal of comment from the public and in articles or talks about social security centers on the "retirement test"—the withholding of some or all benefits from people under age 72 who earn more than a certain amount (\$2,520 in 1975) but not from those who have other income, however great, or are older than 72. We decided, therefore, that we should study this issue.

THE COUNCIL'S RECOMMENDATIONS

Since the Council's report has been available for nearly 2 weeks, I will not repeat here the findings and recommendations contained in it. They are summarized at the beginning of the report. I would like to repeat, however, what I said about the Council's proposals when the reports were formally submitted.

In my personal opinion, the Advisory Council's most important recommendation is the one for revising the method of automatically adjusting benefits for inflation. This change has overriding importance because it protects the social security program against instability caused by unpredictable variations in the economy. The financial soundness of the system is increasingly in jeopardy, and stabilization of the basic benefit structure is a precondition to restoring the soundness and predictability of social security financing.

Our recommendation for stabilizing the relation between benefits and pre-retirement income should not be controversial, but unfortunately it is rather technical and hard to understand. The Council itself did not appreciate fully the importance of this issue until we had been studying social security for over two months. Eventually, though, we were unanimous in our recommendation, and so were our economic and actuarial consultants.

Our second most important recommendation, in my personal opinion, is that benefits not related to earnings should not be financed from the earnings-related payroll tax. The most important application of the principle would be to remove Medicare from payroll-tax financing, and transfer up to 1.8 percent of the present total tax of 11.7 percent to the basic old age, survivors, and disability insurance which is generally thought of as "social security." Several members of the Council consider this the single most important recommendation because they favor financing social security from general revenues rather than from the payroll tax exclusively, and they regard this as acceptance of that idea. A majority of the Council, however, opposed general revenue financing and felt that removing Medicare and other benefits not related to earnings from support by the earnings-related payroll tax will protect the principal that core social security benefits should be related to earnings and financed by a tax related to earnings.

The Council's third most important recommendation was our urging that before the next Advisory Council, which under the law would report four years from now, there be a comprehensive study of basic issues such as full reserve funding vs. current cost financing; the effects of social security on productivity, capital formation, and private savings; the relation between private pensions and social security; and the appropriate size of the trust fund. Such fundamental questions need to be addressed in greater depth. As pointed out by Dr. Rita Ricardo Campbell in her supplementary comment, there is a tendency for those considering changes in social security to find themselves tinkering at the edges of a program that in 40 years has grown so huge and complex that even the well-informed citizen cannot understand it, and that has been affected by tremendous social and economic changes, extensive new welfare system, and inter-related tax laws.

Finally, although the Council has recommended very little about the treatment of women under social security, I hope that the Council's chapter on this subject, the report of its subcommittee, and the supplementary statement by Dr. Campbell will direct serious attention to this important issue. The Council did recommend extending to men certain benefits now available only to women. My impression is that the Council's major concern was that women not lose these important benefits if the "Equal Rights" amendment to the Constitution is adopted. We believed that its adoption was imminent and would require either withdrawing the benefits from women or extending them to men. Developments in the week after our report was submitted suggest that adoption of the amendment may not be as imminent as we believed three months ago when we concluded our consideration of sex and marital differences in social security programs.

ITEM 2. LETTER FROM J. W. VAN GORKOM,* PRESIDENT, TRANS UNION CORP.; TO SENATOR FRANK CHURCH, DATED APRIL 3, 1975

MY DEAR SENATOR CHURCH: This is in response to your letter of March 24, in which you posed three questions. The first one refers to the testimony of Dr. Schulz** and raises very directly the whole philosophy of a Social Security system.

It is true that the Council did not address itself to the adequacy of Social Security benefits. It did recommend "decoupling" the system in order to stabilize replacement ratios, but it did not attempt to establish what the replacement ratio should be for each level of income. First, it did not have nearly enough time to adequately investigate such a broad question—a question so broad that Congress itself has never really come to grips with it. Secondly, it was aware that it might be impossible to obtain agreement even among very reasonable people as to what constitutes a reasonable replacement ratio.

Even more fundamental, however, is the basic nature of the three-tier system. I cannot stress too strongly that it was recognized from the beginning that Social Security, *by itself*, was never expected to do the total job of providing adequate retirement income for *all* people. To do so, Social Security would have to levy a much higher tax or change its basic character by using general revenues. The system has produced an adequate amount for a large number of people. Some of those without an adequate minimum from Social Security have had private means (the second tier) which keep them above the subsistence level. There still remains another group, however, that does not receive an adequate amount from Social Security and which does not have private means. This group was to be aided by welfare or needs programs which formed the third tier. The supplemental security income program is a perfect example of such a program. It helps those who do not have a basic minimum and it is financed from general revenues because there is no effort made to relate the benefits to wages earned or taxes paid by the individual beneficiary. If programs like SSI are not adequate to the task then they can be increased to that level which Congress deems adequate. This is the way the system is designed to work. It has worked well because it has permitted Social Security to remain a non-welfare plan where benefits are geared to wages earned and taxes paid.

If, as Dr. Schulz would indicate, it is desired to have Social Security do the entire job without any needs test, then the dilemma occurs: either raise the tax very substantially or modify the system to a point where it loses its basic characteristics. To do the whole job in Social Security, replacement ratios would have to be increased substantially for certain income levels. This could be done by raising the entire benefit structure, which would be very costly because it would also raise the benefit levels of individuals who are already receiving an adequate benefit. Or it could be accomplished by further weighting of the lower end of the benefit scale. This latter step would further distort the relationship between wages and benefits and tend to weaken the sense of responsibility of the worker which grows out of his recognition that there has been some reasonable relationship between his wages (and taxes) and his benefits.

The plain fact is that some people in the labor force work sporadically or at very low wages, and sometimes a bit of both. This creates an average wage which cannot yield even a subsistence benefit unless the replacement ratio is inordinately high. The Social Security system can be made to yield such a benefit, but

*See statement, p. S20.

**For Mr. Schulz comments, see p. S73.

it would produce the distortion described above or it would raise all benefits and thereby incur a much higher tax.

AUTOMATIC INCREASES CREATE PROBLEM

There is also the question of financing. The Council was aware that the system already faces serious financial problems. Congress did solve one of the basic problems of the elderly in 1972, when it provided for automatic benefit increases to maintain their purchasing power even in the face of rising prices. That step, coupled with a change in the relationship of wage and price increases, has created a financial problem for the system. Dr. Schulz indicates that benefits should be further increased to help those who are not receiving a basic minimum. This must mean either substantially higher taxes or an infusion of general revenues. The former would impact very hard on those persons in the lower wage brackets and the latter would begin the destruction of the Social Security system as we have known it by changing its basic character.

We are all sensitive to the needs of those over 65 who have less than adequate means. They must be provided for in some way. Our basic thesis is simply this: It is *not* necessary to change the basic character of Social Security in order to help those people. We can maintain the integrity and philosophy of Social Security and still help those people, at the lowest possible cost, with a program based on demonstrated need.

If my concept is followed, then the replacement ratios should be set at a level that can be sustained by a tax level that is deemed acceptable by the Congress, recognizing that such replacement levels will still be weighted in favor of the low paid person. Today, for example, the replacement ratio for a person who has been receiving the maximum wage is about 32 percent, while the replacement ratio for the person receiving the minimum wage is about 62 percent. That is already a rather sizable disparity and further changes in favor of the low paid in order to solve the problem referred to by Dr. Schulz will eventually change the worker's attitude with regard to the relationship of the taxes he pays and the benefits he receives. Obviously, no one can say where that point lies, but I believe it to be a real problem.

It was reasoning of this type that also influenced the Council in not attempting to come to grips with the issue of a proper replacement ratio. This is the kind of problem which needs to be addressed in a definitive way by some competent group that can spend more time on it than we were allotted. Eventually, of course, it is the problem of Congress.

Q. 2 and 3—With regard to your second question on the financing of Medicare, I have the following comments. I would first question why Medicare is under Social Security at all. The only thing it has in common with OASDI is that both plans involve the elderly. The OASDI system is a wage replacement plan and the benefits, therefore, are geared to the wages which they are supposed to replace. Medicare is a health insurance plan which happens to cover only the elderly at the present time. The benefits are not geared in any way to wages.

I would begin then by saying that even if it was desired to finance Medicare by a tax on wages, it should not have been considered a part of OASDI and it should not have been lumped with it because it tends to obscure the basic function of the wage replacement system. I cannot say it is wholly wrong to use a wage tax to finance a health plan for the elderly, but it would be just as proper to finance it with general revenues or an increase in the income tax. On the other hand, the OASDI system should definitely be financed by a tax on wages because the benefits flow directly therefrom and the benefits are intended to be paid as a matter of right. To be paid as a matter of right, they must be "paid for" by the recipient, and this is accomplishment by the wage tax.

When the federal health insurance program for all age groups has been adopted, I, personally, believe that it should encompass the Medicare program as well. How that plan should be financed will be up to Congress. It is clear, however, that the people who will have the greatest need for that plan will probably be those least able to pay for it. I doubt, therefore, whether anything but general revenues will be adequate to fund such a plan. I agree with you that using general revenues will probably lead to a needs test, but I see no harm in that, and it will permit us to provide the greatest need. If we attempt to provide the benefits of the system to everyone, without regard to need, the tax is going to be very high and the low paid people will be unable to handle it. This will then mean some kind of weighting, such as we have in Social Security, but the weight-

ing may have to be even greater than it is in the case of Social Security because we will not want to limit the benefits.

As I stated at the hearings, reasonable men can obviously differ on these points, particularly questions 2 and 3. There is no categorical answer to these points and I am happy to know that men like you are devoting time to trying to solve them in some equitable way. If I can be of any further help, do not hesitate to call. I am by no means an expert, but I am an interested citizen.

Sincerely yours,

J. W. VAN GORKOM.

ITEM 3. LETTER FROM J. HENRY SMITH,* CHAIRMAN OF THE BOARD, THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES; TO SENATOR FRANK CHURCH, DATED APRIL 3, 1975

MY DEAR SENATOR CHURCH: I appreciated the opportunity of appearing before your Special Committee on Aging, and I am happy to be of further assistance by answering the additional questions noted in your letter of March 24.

In my prepared testimony, I have remarked in detail on the subject of the proper relationship between private and social insurance protection; and I would be pleased to summarize those remarks at this time.

First, I would note that I am in full agreement with the endorsement given by the Advisory Council on Social Security to the preservation of a three-tiered income maintenance system. In that system, OASDI serves the primary role of providing basic economic security in the event of retirement, disability or death of workers. That central core of protection is undergirded by means-tested welfare programs for the needy; and it is supplemented by private efforts, group and individual, to fulfill protection needs and desires above and beyond the floor of protection provided through the social security program.

The social security program was introduced originally to prevent workers and their dependents from slipping into poverty and hardship. That should continue to be its rationale and its dimensions should be drawn accordingly. The private supplemental arrangements allow one to build on the basic protection provided by government to obtain income levels more appropriate to one's earnings levels during active employment.

Thus the government and the institutions of private thrift are joined together in a partnership with obligations by each to the other. The government can expect us in the private sector to broaden our coverage and increase the adequacy of our offerings, to improve cost and quality controls, to be responsive to needs, and to be innovative and constructive to change as change is warranted. We, on our part, hope that the government will encourage private thrift, that it will avoid disabling legislation, and that it will restrict the operations of the social security sector so that it does not unduly invade the private sector's sphere of operations. Such an ongoing arrangement has sound purposes and high potential and we in the private sector will vigorously prosecute our job to keep the partnership an effective, constructive and healthy one.

I think your second question is more one of semantics than anything else. Yes, I consider social security to be social insurance. Though social insurance is different in its characteristics from private insurance—and it should be—it does provide financial protection against defined hazards through a pooling of contributions and a sharing of risks.

The funding systems of the two are, as you know, quite different, one rests on an average tax rate on today's workers to meet current costs and the other is a level payment contract which includes higher than called for early payments which together with interest accumulation results in lower than called for later payments. The social security system is an intergenerational, income-transfer mechanism whereas the private arrangement is based on individual equity. To be soundly financed, private insurance and pension plans require (unlike social security) the accumulation of large dedicated funds. These funds must be invested and so become a source of much of the capital needed in this country for the nourishment and expansion of our industry and commerce—a need that will grow in the capital hungry days of the future. Thus, this is another important reason for delimiting the government's share in the ongoing partnership described above.

*See statement, p. 846.

In response to your third question, I would have to reply with a cautious "yes." I recognize that there may be additional, specific limited purposes for which general revenue financing may be appropriate (though I may be hard put at this time to name a few) but generally I would be opposed to the use of such revenues on any broad scale for financing the overall social security program. Such indirect financing masks the true cost of adding benefit liberalizations and could easily lead to pressures for unwarranted increases in benefits. Tying the program to payroll contributions serves to prevent unreasonable demands for increases in benefits. The latter tie is needed to foster a sense of responsibility in that a worker should know that higher benefits require higher contributions.

More important, however, is the fact that recourse to general revenues would change the insurance nature of the program and might lead to strong pressures for the introduction of a needs test for many social security benefits. The fact that the program is supported almost exclusively from the contributions of covered workers and their employers accords with the insurance aspects of the program and accounts for the widespread public acceptance and confidence in the program.

It has been my pleasure to have been able to cooperate with you and your Committee in your pursuit of these most important matters, and I wish you every success in your endeavors along this line.

Sincerely,

J. HENRY SMITH.

Appendix 3

ITEM 1. IMPACT OF INFLATION AND POPULATION TRENDS UPON SOCIAL SECURITY SYSTEM: SUMMARY OF RECENT APPRAISAL*

A. "WHITE PAPER"¹ ESTIMATE

The authors² of the "White Paper" concluded that the Social Security system is still sound and healthy, despite the need for additional future financing. Automatic cost-of-living benefit increases are outrunning the additional income from higher wages because the current rate of inflation is so extraordinarily high. Over the next 25 years the authors estimated that it would be necessary to increase income for the cash benefits program by about 10 to 15 percent. The additional income, the signatories noted, could come in part from an increase in the wage base, an increase in the contribution rate, or from general revenues. The "White Paper" further stressed, "In any event, the size of the problem over the next 25 years is easily manageable and certainly does not constitute a financial crisis.

The fertility rate is now slightly below zero population growth. A continuation of this low rate would mean that the population aged 20 to 65 would stabilize early in the 21st century, but the number of older people would continue to grow for some time. However, active workers may not be required to support any more non-workers than they do now, even with the changed fertility rates. They may simply support more older people and fewer younger persons.

There are many ways that the next generation may choose to deal with problems caused by a larger proportion of older persons to the working population, including:

1. Increased labor force participation for older people, and thus reduce the burden of retirement benefits.

2. With smaller families more women might work, reducing the ratio of retired persons to active workers.

Moreover, production increases over the long run may help meet the problem of supporting a larger number of older persons.

B. SOCIAL SECURITY BOARD OF TRUSTEES ESTIMATE

In June 1974 the Board of Trustees (Secretary of the Treasury, Secretary of Labor, and Secretary of Health, Education, and Welfare) concluded that the GASDI trust funds showed a long-range (over a 75-year period) actuarial deficit of 2.98 percent of taxable payroll. Three major factors were cited by the Trustees:

1. A change in the demographic projections (primarily fertility assumptions) which accounted for about 76 percent of the increase in the actuarial deficit (compared with the prior estimate);

2. A higher estimated inflationary rate; and

3. An increase in the number of disabled-worker benefits being awarded.

The Trustees said:

"Although the new population and fertility projections will have a major impact after the turn of the century on the long-range cost estimates, they will not have a significant effect in the short run."

C. FINANCE COMMITTEE PANEL ACTUARIAL ESTIMATE

In February 1975 a Panel on Social Security Financing submitted its report, based upon new data, to the Senate Finance Committee concerning the actuarial condition of the cash benefits program. The six-member panel projected a 6

*Prepared by the staff of the Senate Committee on Aging.

¹"Social Security: A Sound and Durable Institution of Great Value."

²Wilbur Cohen, Robert H. Finch, Arthur S. Flemming, John W. Gardner, Elliot L. Richardson, Robert M. Ball, William L. Mitchell, and Charles L. Schottland.

percent long-range deficit. Two principal reasons were cited for the higher estimated deficit:

1. The Finance Committee Panel assumes that fertility rates will continue their downward trend until 1980 before beginning an upswing. The 1974 Trustees' report assumed that the trough in fertility rates had been reached.

2. The Finance Committee Panel assumed a long-range average inflationary rate of 4 percent, compared with 3 percent in the Trustees' report.

U.S. POPULATION

[In millions of people]

	1975	1980	1990	2000	2025	2050 ^a
Ages 20 to 64:						
1974 Trustees' report.....	122	132	147	159	173	181
Finance Committee panel.....	122	132	147	156	154	154
Ages 65 and over:						
Trustees' report.....	23	25	29	31	43	51
Finance Committee panel.....	23	25	29	31	43	50

FERTILITY RATES,¹ ACTUAL AND ASSUMED

	Actual				Assumed					
	1965	1970	1972	1973	1975	1980	1990	2000	2025	2050
Trustees' report.....	2.9	2.4	2.0	1.9	1.9	2.0	2.1	2.1	2.1	2.1
Finance Committee panel....	2.9	2.4	2.0	1.9	1.9	1.6	1.8	1.9	2.1	2.1

¹ Fertility rate—the number of children that a woman entering childbearing ages can expect to have throughout her childbearing years.

The Finance Committee Panel pointed out that about one-third (1 percent of taxable payroll) of the difference between their projected long-term deficit and the Board of Trustees' 1974 estimate was because of demographic factors. The remainder is attributed to anticipated higher inflationary levels.

D. ADVISORY COUNCIL ON SOCIAL SECURITY³

The Social Security Advisory Council concluded that changes in population assumptions had the greatest impact concerning the larger projected long-range actuarial deficits. These changes are reflected in the following ways:

1. Today there are about 30 beneficiaries for every 100 workers.

2. Projections for 2030 are based upon 45 beneficiaries for every 100 workers.

The Council also noted that 76 percent of the increase in the actuarial deficit since the last review was attributed to changed population assumptions.

High inflationary rates have also materially increased the estimated deficit. In early 1974 the Board of Trustees projected a 4.4 percent cost-of-living raise for Social Security beneficiaries in July 1975. The Social Security Advisory Council estimates that the increase will be approximately 8.5 percent. This, in turn, will boost the long-range deficit by 0.51 percent of taxable payroll.

ITEM 2. RESPONSE BY PRESIDENT FORD TO SOCIAL SECURITY ADVISORY COUNCIL RECOMMENDATIONS

I have received today the final report of the Advisory Council on Social Security. I concur strongly in the Council's unanimous endorsement of the basic principles of the social security system.

In my view, the most important recommendation of the Council calls for the stabilization of the benefit structure so that future benefits will maintain a consistent relationship to earnings and will not be so vulnerable to changes in the economy.

³ In their report issued on March 7, 1975.

Consequently, I have directed the Secretary of Health, Education, and Welfare to present to me a series of proposals for stabilizing the benefit structure. This will enable me to make recommendations to the Congress as early as possible.

Stabilization of the benefit structure, however, will not provide all the additional revenues that will eventually be required by social security. While existing reserves are adequate to maintain the fund's financial integrity for the next several years, I want to ensure the integrity of the system into the 21st century. Therefore, I have asked the Vice President to have the Domestic Council explore alternative approaches to financing and to make appropriate recommendations to me.

I strongly support the "earned right" principle that has been a basic feature of social security since its inception 40 years ago. Therefore, I am opposed to the Advisory Council's specific recommendation calling for this transfer of Medicare financing from the Social Security trust funds to general funds of the Treasury.

ITEM 3. MAJOR FINDINGS AND RECOMMENDATIONS: THE ADVISORY COUNCIL ON SOCIAL SECURITY: 1975

Section 706 of the Social Security Act requires appointment every four years of an Advisory Council on Social Security consisting of a chairman and 12 other members representing the general public, the self-employed, and organizations of employers and employees. The latest Advisory Council held nine 2-day meetings in 1974-5. It was the first Social Security Advisory Council to conduct public meetings as required by the Federal Advisory Committee Act, and thus many of its deliberations were discussed in the news media before its final recommendations were made.

What follows is a summary of Major Findings and Recommendations* as officially released by the Council on March 7, 1975.

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS¹

A. CASH BENEFITS

1. *Purpose and principles.* The earnings-related OASDI program should remain the Nation's primary means of providing economic security in the event of retirement, death, or disability. It should be supplemented by effective private pensions, individual insurance, savings, and other investments; and it should be undergirded by effective means-tested programs. Future changes in OASDI should conform to the fundamental principles of the program: universal compulsory coverage, earnings-related benefits paid without a test of need, and contributions toward the cost of the program from covered workers and employers.

2. *Benefit structure—replacement rates.* The provisions of present law for computing average monthly earnings, on which benefits are based, and for adjusting the benefit table in the law to changes in prices may result over the long range in unintended, unpredictable, and undesirable variations in the level of benefits. The benefit structure should be revised to maintain the levels of benefits in relation to preretirement earnings levels that now prevail. Benefits for workers coming on the rolls in the future should be computed on the basis of a revised benefit formula using past earnings indexed to take account of changes during their working lives in the average earnings of all covered workers. As under present law, benefits for people on the rolls should continue to be increased as price levels increase.

3. *Retirement test.* The provisions of the present retirement test should be modified so that beneficiaries who work can retain more of their benefits. Instead of reducing benefits by one dollar for every two dollars of earnings above the exempt amount of earnings, as under present law, one dollar of benefits should be withheld for every three dollars of earnings between the exempt amount and twice

*The Council's findings and recommendations reflect a consensus of the Council and not necessarily the precise view of any individual member on any issue.

¹The Council's findings and recommendations reflect a consensus of the Council and not necessarily the precise view of any individual member on any issue. To the extent that Council members have chosen to express their differences from the Council's findings and recommendations, such expressions are contained in the section of statements at the end of the report. Footnotes at appropriate points in the body of the report call attention to these supplementary statements.

the exempt amount, and one dollar for two dollars above that level. Also, the provision under which a full benefit may be paid for any month in which a beneficiary earns less than one-twelfth of the annual exempt amount should be eliminated, except for the first year of entitlement to benefits. The test should be based on annual earnings.

4. *Treatment of men and women.* The requirements for entitlement to dependents' and survivors' benefits that apply to women should apply equally to men; that is, benefits should be provided for fathers and divorced men as they are for mothers and divorced women and benefits for husbands and widowers should be provided without a support test as are benefits for wives and widows. At the same time, the law should be changed, effective prospectively, so that pensions based on a person's work in employment not covered by social security will be subtracted from his social security dependents' benefits. Other provisions of the social security program which are the same for men and women but which are criticized because they appear to have different average effects on men and women (or different average effects on the married and the unmarried) should not be changed.

5. *Other recommendations.*

a. *Universal compulsory coverage.* Although social security covers over 90 percent of workers, the gaps that remain often result in unwarranted duplication of benefits. Social security coverage should be applicable to all gainful employment. Ways should be developed to extend coverage immediately to those kinds of employment, especially public employment, for which coordinated coverage under social security and existing staff-retirement systems would assure that total benefits are reasonably related to a worker's lifetime earnings and contributions.

b. *Minimum benefit.* Partly because of the gaps in social security coverage, the minimum benefit is frequently a "windfall" to those, such as Federal retirees, who are already receiving a pension based on earnings in employment not covered by social security. Almost all workers who have worked in social security employment with some regularity become entitled to higher than minimum social security benefits. The minimum benefit in present law should be frozen at its level at the time the new benefit structure recommended under number 2 above goes into effect and the new system should not pay benefits exceeding 100 percent of the indexed earnings on which the benefit is based.

c. *Definition of disability.* The definition of disability should be revised to provide disability benefits for workers aged 55 or over who cannot qualify for benefits under present law but who are so disabled that they can no longer perform jobs for which they have considerable regular experience. These benefits should be 80 percent of the benefits for those disabled workers who qualify under the present law.

d. *Miscellaneous.* Further study is needed on three matters; the effects of the social security program on different racial and ethnic groups, ways of simplifying the social security program and its administration, and the frequency of cost-of-living adjustments in benefits. In addition, a general study of social security should be made by a full-time non-Government body, covering such matters as funding vs. pay-as-you-go, possible effects of social security on capital formation, productivity, the proper size of the trust funds, the incidence of payroll taxes, and other basic questions.

B. FINANCING

1. *Actuarial status.* The cash benefits program needs a comparatively small amount of additional financing immediately in order to maintain the trust funds levels. Beginning about 30 years from now, in 2005, the program faces serious deficits. Steps should be taken soon to assure the financial integrity and long-range financial soundness of the program.

2. *Tax rates.*

a. *Employer-employer:* No increase should be made, beyond those already scheduled in present law, in the total tax rates for employees and employers for cash benefits and hospital insurance. However, the OASDI tax rate should be gradually increased, as OASDI costs increase, and the increases should be met by reallocating taxes now scheduled in the law for part A (hospital insurance) of the Medicare program. Income lost to the hospital insurance program by this

reallocation should be made up from the general funds of the Treasury. Hospital insurance benefits are not related to earnings, so should be phased out of support from the payroll tax.

b. *Self-employed*: The present 7-percent limitation on the tax rate for the self-employed should be removed. The self-employment OASDI tax rate should be the same multiple of the employee contribution rate as was fixed at the time the self-employed were first covered—150 percent.

3. *Retirement age*. The Council recognizes that under current demographic projections there will be a sharp rise in the number of people who will have reached retirement age relative to the working age population in the first several decades of the next century. Although the Council is not recommending an increase in the age of eligibility for social security retirement benefits, the Council does believe that such a change might merit consideration in the next century, when the financial burden of social security taxes on people still working may become excessive.

ITEM 4. SUMMARY OF MAJOR RECOMMENDATIONS FOR THE UNITED STATES AS EXPRESSED IN PROVIDING ADEQUATE RETIREMENT INCOME: PENSION REFORM IN THE UNITED STATES AND ABROAD*

This book focuses on the Social Security old-age pension programs in the United States and a number of other countries and "attempts to place pension developments at home and abroad within an analytical framework that we (the authors) hope will clarify some of the important decisions that must be made in the near future."

One of the major recommendations for reform in the United States:

"Specifically, we propose the adoption of a standard that will provide inflation-protection benefits equal to a specified percentage of pre-retirement average earnings with minimum and maximum benefit levels." The minimum guaranteed replacement through Social Security is put at about 55 percent by the authors.

Implementation of a standard of at least 55 percent of the individual's or family's (if married) preretirement average earnings during the best ten of the last 15 years prior to retirement would admittedly require a large increase in Social Security revenues. "It will probably be necessary, therefore," say the authors, that:

"1. there be a phase-in schedule for increased benefits and revenues over a period of five to ten years;

"2. in order to keep the contribution rates paid by individuals as low as possible and minimize the inequities of regressive taxation, general revenue financing should be used to meet current benefit payment obligations to individuals who have contributed amounts below their expected actuarial benefits. Current beneficiaries, on average, will receive much greater benefit amounts than the contribution they paid into the system. Current workers should not be required to meet these obligations through a proportional/regressive tax system."

The authors also call for improved private pension supplements, encouragement of personal saving, better health cost protection, and improved part-time employment opportunities for older persons.

ITEM 5. LETTER FROM JAMES H. SCHULZ, ASSOCIATE PROFESSOR, WELFARE ECONOMICS, BRANDEIS UNIVERSITY; TO J. W. VAN GORKOM, DATED JUNE 3, 1975

DEAR MR. VAN GORKOM: Senator Frank Church has sent me a copy of your April 3 letter to him which, in part, discusses my testimony before the committee. Apparently Senator Church did not send you a copy of my testimony, since you attribute to me a position which I did not take.

*Written by Dr. James Schulz and others, published in 1974. Dr. Schulz was to testify before the Committee on Aging at the March 19 hearing.

First, nowhere in my statement did I advocate that social security should "do the entire job [of eliminating poverty among the aged] without any needs test." Quite the contrary, I pointed out in my statement the decline in poverty and the need to focus our policy discussions on the nonpoor aged.

Second, with regard to raising replacement rates provided by social security, I am surprised that you would assume that I advocate raising these rates regardless of the labor force history of the individual. I agree (in the interest of equity) that those who work sporadically should receive lower pensions, but I would want to work out a more equitable treatment of the special situation facing most married women with multiple roles.

You state in your letter that I favor increasing benefits to help those "not receiving a basic minimum." Since I did not talk about providing minimum income through social security, I do not understand the reference. And I did not recommend raising benefits for low-income workers, thereby giving them higher pension replacement rates.

What I did say is that we should raise the general benefit levels of social security to provide greater adequacy, using an earnings replacement concept as the measure of adequacy. Your objection to doing this on the grounds that it would require higher taxes just dodges the issue; have you stopped buying automobiles or riding taxis simply because their cost has increased? Costs are always going up, and anything better usually costs more! As I indicated in the hearings, it's a matter of priorities. (And a question of who pays and who gets how much.)

The most important point I tried to make in my testimony is that freezing replacement rates at current levels dooms generations of retirees *without* private pension coverage or *without* adequate private pension benefits to a drastic drop in living standards when they retire. Our dual pension system is developing a pension elite and is creating two classes of retirees.

I argue that we need to face up to this problem. There are different ways of responding, and my recommendation to improve the universal pension (i.e., social security) for all and thereby create a minor role for private pensions is but one approach. But at very least, the issue should be raised and discussed.

Of course, I am aware of the time limitations of the Council. But if you did not have time to discuss and evaluate the adequacy issue, you should not have so blithely recommended that replacement rates should stay at current levels. Yet again, as in the Council's report, your letter to Senator Church discusses why benefits should not be raised but then goes on to state that the Council did *not* attempt to come "to grips with the issue of a proper replacement ratio."

JAMES H. SCHULZ.



FUTURE DIRECTIONS IN SOCIAL SECURITY

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Future Directions in Social Security:

- Part 1. Washington, D.C., January 15, 1973.
- Part 2. Washington, D.C., January 22, 1973.
- Part 3. Washington, D.C., January 23, 1973.
- Part 4. Washington, D.C., July 25, 1973.
- Part 5. Washington, D.C., July 26, 1973.
- Part 6. Twin Falls, Idaho, May 16, 1974.
- Part 7. Washington, D.C., July 15, 1974.
- Part 8. Washington, D.C., July 16, 1974.
- Part 9. Washington, D.C., March 18, 1975.
- Part 10. Washington, D.C., March 19, 1975.
- Part 11. Washington, D.C., March 20, 1975.
- Part 12. Washington, D.C., May 1, 1975.
- Part 13. San Francisco, Calif., May 15, 1975.
- Part 14. Los Angeles, Calif., May 16, 1975.
- Part 15. Des Moines, Iowa, May 19, 1975.
- Part 16. Newark, N. J., June 30, 1975.

(Additional hearings anticipated but not scheduled at time of this printing.)

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FUTURE DIRECTIONS IN SOCIAL SECURITY

WEDNESDAY, MARCH 19, 1975

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 4221, Dirksen Building, Hon. Frank Church, chairman, presiding.

Present: Senators Church, Moss, Fong, and Clark.

Also present: William Oriol, staff director; David Affeldt, chief counsel; Deborah Kilmer, professional staff member; John Guy Miller, minority staff director; Margaret Fayé and Gerald Yee, minority professional staff members; Patricia Oriol, chief clerk; Kathryn Dann, assistant chief clerk; Gerald Strickler, printing assistant; and Dorothy McCamman, consultant.

OPENING STATEMENT BY SENATOR FRANK CHURCH, CHAIRMAN

Senator CHURCH. The hearing will come to order.

We are fortunate to have very fine witnesses today, and I want to begin the testimony as quickly as possible; but I would like to make a few points about the testimony taken yesterday.

We had three members of the Social Security Advisory Council, who did disagree on several important points, but who were emphatic about one essential point, and that is that the Nation is fortunate to have a social security system built upon payroll contributions, entitling participants to certain benefits, which provide personal security, at least up to a certain point in their retirement years, while helping to protect the entire Nation against the dislocations—which is a very polite word for saying the massive welfare mess—that we would be confronted with in this country if the millions and millions of retired persons over 65 years of age that are today receiving social security benefits were left without its protection.

This morning at least one news account said the major happening at yesterday's hearing was that the Republican and Democratic Senators expressed faith in the social security system, while emphasizing that changes must be made to insure its continuing soundness and responsiveness.

That strikes me as a well-balanced statement. We are satisfied about many of social security's attributes, but we certainly see the need for change to meet today's stagflation problems, and the long-term demographic problem of the next century.

As everyone is learning, these days the baby boom associated with the Second World War is now moving through the population; and at about the turn of the century, we will have a markedly higher proportion of elderly people, as compared to the entire working population that is the case today.

I see social security from many perspectives, including the viewpoint expressed by experts—with projections, actuarial tables, and complex social goals—it is all essential. But there is another viewpoint which I encounter in my own State and elsewhere in this field; it is the fundamental confidence which most older people and/or social security recipients have in the social security system.

That confidence is quite often based on a statement as forthright as “I paid into it, and now I am sharing in its benefits.”

It is a feeling that I am entitled, because I contributed to the system, and now as an elderly person, the benefits that I receive come to me as a matter of right.

That confidence is precious, and it must be protected.

COMPUTER MISHAPS, DELAYS

For that reason, I am disturbed by recent reports that some social security recipients are encountering difficulty in what should be normal operations; for example, a *Washington Post* story recently told of a person—a doctor and his wife, both of whom are due social security checks, are experiencing delays of several months in receiving them.

In a hearing last year in Idaho, I heard directly from a woman who had been declared dead by the social security computer. It took us some months to persuade the computer that it was wrong, since all visual evidence suggested she was very much alive.

She came to the hearing to challenge the computer's finding personally, and after a while, we got that problem straightened out. I realize the proportion of such computer mishaps is probably very low, but I have asked the Social Security Commissioner for a report on such problems, and he promised to send me one at an early date.

I would like to make this final point, before we proceed to our first witness, Dr. Schulz.

It would seem the social security system is undergoing a sufficient number of evaluations and studies. An advisory council has just concluded the report we discussed yesterday.

A white paper has been issued by persons long associated with the social security system, and last summer the Social Security Board of Trustees issued a significant report, and yet our first witness today, Dr. James Schulz, declares in his new book, “Providing Adequate Retirement Income,” and I quote from the book, a copy of which I have with me this morning:

It is time that a broad review of our retirement income maintenance system was undertaken, and serious thought given to the requirements of providing adequate retirement incomes for the future aged.

Dr. Schulz has also said if current trends continue, the gap between retirement income and work income is likely to widen, not narrow.

Dr. Schulz, I know you have a prepared statement, and you will probably discuss these points. I would defer to Senator Fong in case he has any statement.

Senator FONG. I have no statement to make this morning.

Senator CHURCH. Senator Moss, do you have a statement you would like to make?

Senator MOSS. No, thank you, Mr. Chairman. I am pleased to be here.

Senator CHURCH. Very well. Dr. Schulz, if you have a prepared statement, and would like to read it, or to summarize it for the committee, then we will proceed to ask questions.

Dr. SCHULZ. Senator, there are a lot of areas I would have liked to cover this morning, but to keep my statement within the time limits, as was suggested, I have prepared a supplement to my statement, which covers a lot of material, which I was unable to include in my statement. I ask that the supplement to the statement be included in the record at the appropriate point.*

Senator CHURCH. Yes, that will be done.

**STATEMENT OF JAMES H. SCHULZ, PH. D., ASSOCIATE PROFESSOR
OF WELFARE ECONOMICS, PROGRAM IN THE ECONOMICS AND
POLITICS OF AGING, BRANDEIS UNIVERSITY**

Dr. SCHULZ. All across the Nation and especially in Washington there is an effort currently underway to limit or reduce the role of social security and expand private pensions. This is not altogether surprising when one realizes that the private pension industry is a \$200 billion business and that there are millions of dollars of salaries, commissions, and profits at stake in the outcome of these efforts.

I will argue that we should do exactly the opposite. We should be expanding social security and limiting private pensions.

What I am going to say will not be welcomed by the private pension, insurance, and banking industries in this country. Nor will it be welcomed by many who are currently old. And, it probably will not be welcomed by some advocates for the aged—since they must necessarily represent and deal primarily with the problems and concerns of today's aged population.

I wish to emphasize at the very beginning of my remarks that the aged can no longer be characterized as being poor. A variety of statistics and generalizations are currently being used by some to support the case for expanded Government action to help people who are currently old. These inadequately take into account the significant improvements of the past decade which our Nation has made in the economic status of the aged.

While I am strongly in favor of improving the way we, as a Nation, provide and insure adequate economic resources in old age—I am concerned, at the same time, that new policies based, in part, on misinformation will not be the right policies. And, most important, in trying to help older people today, we should not ignore the impact of today's action on those who will become old in the future.

Since the intent of my remarks is likely to be misinterpreted, I wish to emphasize at this point that I am not unaware or unconcerned about the serious economic problems facing large numbers of older people today. I have spent almost all of my research time as an economist in the last 10 years investigating and assessing the economic problems of the aged. I, and some colleagues have just published a book on "Providing Adequate Income in Retirement." The central message of that book is that we need to change the way we view the adequacy of retirement income and that we need to significantly

* See appendix, item 1, p. 917.

increase, not decrease or just maintain, private and public pension expenditures.

I advocate eliminating economic destitution among the aged and other age groups now. I advocate improved health care for the aged and other age groups now. And, I advocate developing as soon as practical adequate services for the aged to meet a variety of their special needs.

SENSITIVITY TO EQUITY AND DIFFERENCES

But we must try to do these things in ways which are equitable and which take into account the widely varying economic situations of different groups of older persons. Sensitivity to these issues is especially important as we look forward to sharply rising social security costs in the years to come. In this regard, I wish to associate myself with the very excellent statement presented to this committee last July by former Representative Martha W. Griffiths.* While in Congress, Mrs. Griffiths eloquently argued for pension cost effectiveness and for recognition of the economic implications of private and public employee pension trends which permit earlier and earlier retirement at increasingly liberal levels.

It is now clear to me that we are confronted with a new and most serious problem. We have improved public and private pensions significantly. But if present trends continue, the retirement income disparities created by our present dual pension system will grow larger and create serious social tension between the resulting pension elite and those less fortunate.

To understand what is happening, it is important to look at the current economic status of the elderly.

The first point to be made is that while most of the economic data on the aged are highly aggregated data, the most useful type of data—for analysis and evaluation purposes—are disaggregated data.

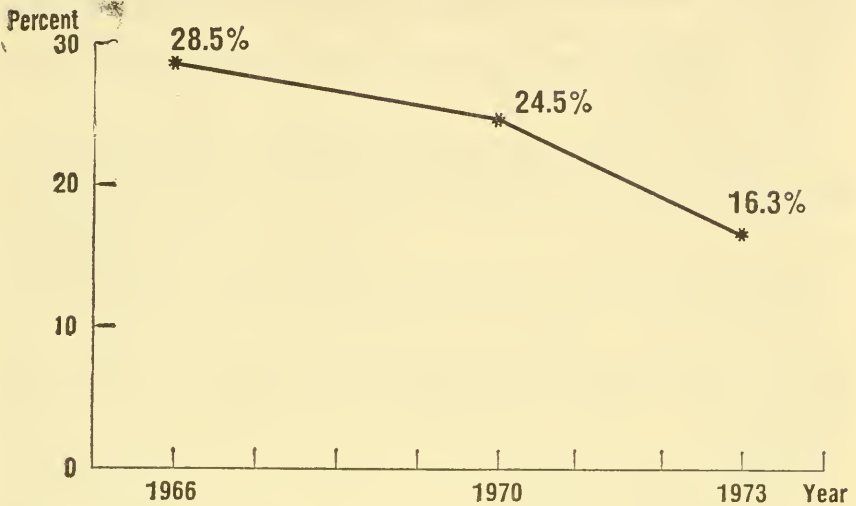
What many writers and analysts tend to do is give means or medians for all or large groups of the aged.

Such statistics tell us very little. By lumping together all the aged population one seriously distorts the reality.

This problem is similar to the one resulting from grouping all the aged together to generalize in terms of their social problems. Most people who work in the field of gerontology are familiar with this problem in the social and psychological areas. There is no such thing as the collectivity of the aged; the aged are a heterogeneous collection of people as diverse as the population itself. We should remember that this point is just as true for the economic issues as it is for others.

Chart I shows the significant decline in poverty among the aged occurring over the last 7 years. With the introduction of SSI and State supplementation in 1974, we can probably anticipate a further drop.

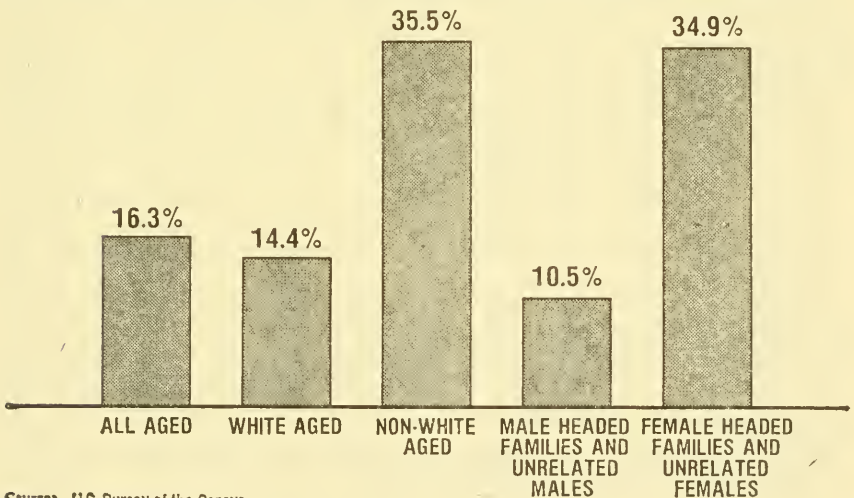
*"Future Directions in Social Security," pt. 8, Washington, D.C., July 16, 1974, p. 693.

Chart I PERSONS AGE 65 AND OVER IN POVERTY

Source: U.S. Bureau of the Census

But as illustrated in chart II, the poverty rate is widely divergent among various groups of the elderly population.

Senator FONG. At what level do you say a man is in a poverty level, and at what level is he not in a poverty level?

Chart II AGED POVERTY IN 1973, SELECTED CHARACTERISTICS

Source: U.S. Bureau of the Census

Dr. SCHULZ. For the purposes of these charts, they are based on the Federal Government's poverty index, the one that was initially developed by the Social Security Administration, and adopted by an intergovernmental task force.

For a single individual, the current poverty level is \$2,119; for a couple, it is \$2,662.

Senator FONG. Thank you.

Dr. SCHULZ. I will be arguing very shortly that this index is not a very good measure of income adequacy. But it is the one that is being widely used, and I think we ought to be using another one.

Many of the aged were poor or living close to the poverty level prior to retirement. Thus, it is not very surprising—yet still shocking—to see the high incidence of poverty among nonwhite aged persons.

And then there is an important group of the elderly—widows—for whom destitution is in many cases a relatively new experience.

Senator CHURCH. This first chart which shows the incidence of poverty has gone down from 1966 when it was 28.5 percent to 16.3 percent in 1973, that is based upon the Government's own definition of poverty?

Dr. SCHULZ. That is correct.

Senator CHURCH. And today that is \$2,119 for an individual, \$2,662 annually for a couple?

Dr. SCHULZ. That is correct.

Senator CHURCH. All right. Then you moved from there to the second chart, and you were just in the process of explaining the second chart. I am sorry for the interruption.

POVERTY FIGURES MISLEADING

Dr. SCHULZ. The point I want to emphasize is that we must disaggregate our view of the elderly. It is misleading to look at the aggregate poverty figures shown in chart I which have been moving down and now are relatively low. We should also look at particular groups of the aged population, especially those who have particularly high incidences of poverty.

The first one I mentioned was the nonwhite aged, and then there is another group of the elderly, widows, for whom destitution is in many cases a relatively new experience.

Of the 3.4 million aged poor in 1973, nearly half—1.6 million—were women.

Senator FONG. How many aged poor women are in the other group of nonwhite poor?

You show 35.5 percent nonwhite aged as poor, and then you have the female category with 34.9 percent poor. How much of the 35.5 poor are also found in the female category?

Dr. SCHULZ. I do not have that statistic available to me today. I think that can be obtained. I will be glad to try to provide that for the committee.

I would say that one can expect at least as high a proportion of the nonwhite aged women to be in poverty.

I would like to have the opportunity to check the statistic and provide it to you to make sure I get the accurate one, but the important point is that we have a very large group of women in this country today who are living in poverty, and I would argue that our pension systems are not dealing effectively with this problem.

In fact, we are in many ways exacerbating the problem by ignoring it. These women sort of get hidden in that total statistic of chart I, the aggregate level of poverty in this country.

I wanted to make sure I pointed out to the committee the very high incidence of poverty among certain groups of people.

It is really something we should direct our attention to.

[Subsequently, Dr. Schulz provided the following information:]

Based on the current population survey, the U.S. Bureau of Census reports that in 1973, 63 percent of Negro persons living in poverty were women.

Senator FONG. Among the male headed white families, it is only 10½ percent?

Dr. SCHULZ. That is correct.

Senator CHURCH. Just so we can have some standard for comparison, can you tell us what the poverty level is in this country for the population at large?

Dr. SCHULZ. I have information which is a special tabulation of the 1970 current population survey, information compiled by the Urban Institutes and presented in a welfare reform task force. This information is for 1970, so it is not as up to date as the committee would like, but the estimates provided there show that using the Federal poverty index in 1970, there were 24.5 million people in poverty, and of those the nonaged, nondisabled represented 16.7 of the 24.5 million.

AGED PRINCIPAL POVERTY GROUP

Senator CHURCH. The figure that the staff furnishes me is that for the population as a whole, the poverty line for 1973, in 1973, was somewhere between 11 and 12 percent, so we begin with the fact that the poverty level for the elderly is considerably above the poverty level for the population as a whole.

Dr. SCHULZ. Yes; I would say that the aged have been for many years the principal poverty group in the United States, and that has not changed significantly currently. However, I would just call the committee's attention to the fact the situation is changing rather rapidly. And the reason it is changing is really because the Congress has responded to the problem through SSI and increases in social security. Also, improvements in private pensions have helped.

Senator CHURCH. The fact that this level has come down from 28.5 percent in 1966 to 16.3 percent in 1973 does demonstrate considerable progress has been made, does it not?

Dr. SCHULZ. Yes; unfortunately we do not yet have statistics for 1974, which would include the effects of SSI in terms of helping older people.

Now, there is speculation with regard to whether the poverty figure is going to be higher or lower as a result of SSI. I suspect it is going to be much lower.

Senator CHURCH. Now, if we retain the compact that we have made with the elderly in this country, through enactment of the automatic cost of living adjustment, then we can make certain that this progress is at least maintained, can we not?

Dr. SCHULZ. That is correct.

Senator CHURCH. But if we abandon that as the President requests, then the chart would begin to go in the opposite direction?

Dr. SCHULZ. That is quite correct.

Senator CHURCH. The level of poverty among the elderly will start to flow once more?

Dr. SCHULZ. That is correct.

Senator FONG. You have shown in your first chart the dropping of the poverty level from 28.5 in 1966 to 16.3 in 1973.

Could you give us some figures, for the record, of the change since 1966 in the nonwhite aged, and the female-headed households?

Dr. SCHULZ. Yes, certainly, I will be glad to do that. I do not have it here. I may have it in some of the material I brought with me, but it will take me a little time to find it.

Senator CHURCH. In response to your first question, Senator Fong, the staff has furnished me with a very significant figure. You asked what proportion of the nonwhite women were living in poverty?

Senator FONG. Yes.

Senator CHURCH. And the staff furnished me with a figure that shows that 61 percent of nonwhite women living alone are living in poverty today; so it is staggering, it is a staggering figure.

Senator FONG. But my question is to the effect, what has been the change in these groups since 1966?

[Subsequently, Dr. Schulz provided the following information:]

The proportion of all non-white persons with money incomes below poverty has changed as follows: 1966, 53.4 percent; 1970, 48.1 percent; 1973, 35.5 percent.

For non-white, female-headed families, the poverty rate change has been: 1966, 58.5 percent; 1970, 53.4 percent; 1973, 51.4 percent.

For non-white, unrelated individuals (male and female), the following change took place: 1966, 53.1 percent; 1970, 46.7 percent; 1973, 37.8 percent.

Senator CHURCH. May I ask you this question—looking at chart II and looking at the last column, which is female-headed families and unrelated families, that shows the 34.9 percent of the women living alone, many of whom are no doubt widows, are today living in poverty; something over a third of the widowed mothers of this country, wives, and unmarried females, are living in poverty.

Why is that figure so much higher than the figure for all retired people?

In the social security system, we have increased the widow's share until today it is 100 percent of the husband's entitlement.

What makes for this large differentiation between the average level of poverty among the retired, and the level of poverty for the females?

Dr. SCHULZ. I addressed a similar question to a researcher in the Social Security Administration when she made a presentation at the Gerontological Society meetings a year or so ago, and her response indicated that this is a very difficult question to answer.

I will try to give you my general reaction. I think in large part the explanation lies with the general discrimination against women in our society over many decades. More specifically, if we look at the treatment of women under pension systems, because this becomes very important when we are talking about retired women or women in old age—we find that up until just recently social security has not done a very good job in terms of reacting to the special situations of women.

I believe many of the system's provisions are discriminatory against women and should be changed. And, in general, I think the 100 percent replacement of a very low and inadequate social security benefit is not going to solve the problem for women.

There are just a lot of people in this country relying solely on social security, and as I will state in my testimony, I think these social security levels are much too low. The 100 percent replacement of an inadequate pension does not give you very high replacement.

But there is another problem which lies primarily in the private sector. If you look at private pensions, the goal of private pensions development in the past has been to first help the worker, and to deal particularly with the problems of older workers approaching retirement.

WIDOW BENEFITS OFTEN SMALL

The private employer's position has been that providing private pensions was a very expensive burden to assume. Therefore, priorities had to be assigned; choices were needed. Low on the priorities was providing widows benefits.

Thus, if you look at the working paper which I prepared for the committee when it conducted its hearings on the economics of aging,* you will find a compilation of widows benefits, survivors benefits, existing in a sampling of private pension plans.

These benefits were very small, sometimes only a lump sum of \$100 or \$200. So we find that for that segment of the population covered by private pensions, the survivors benefits are clearly inadequate. And this too, in part, accounts for the poor economic status of older women.

I think also operating, and I know less about this because I have not studied it personally, is the fact that there has been a difficulty among individuals in providing, through private life insurance, adequate coverage for women. This again has created problems.

A final point that I can think of is the fact that private pension programs and public employee pension programs often provide an option to the worker as to whether he will take his full benefit or a reduced benefit with a widow's option. The evidence is overwhelming that most workers choose a higher benefit without a widow's option.

That is a very long answer to your question, but the question is a very difficult one. And as I have tried to argue, I think this problem of poverty among women should take top priority among the many items requiring the attention of the Social Security Administration and the Congress.

Senator FONG. Given the fact that social security is only less than 40 years old, and many women have not been covered, and that we have gradually brought in other employments, as covered employments, and now that we have given the widow 100 percent entitlement

*"Economics of Aging: Toward a Full Share in Abundance," pt. 10A, Washington, D.C., Feb. 17, 1970, p. 1499.

to her husband's social security, that will eventually, in a few more years, that will really cut down the poverty level of many of these women, will it not?

Dr. SCHULZ. Yes.

Senator CHURCH. Very well. Why don't you continue with your testimony.

Dr. SCHULZ. The statistics previously cited do not include more than a million hidden aged poor living in other households—most of whom are women. So the problem is even worse than the official statistics would suggest.

Now, the fact remains, however, that the overwhelming bulk of the aged are not poor if we accept the definition of poverty adopted by the Federal Government. In fact, aged poverty as conventionally defined may virtually disappear in the near future with improvements in SSI, social security, and private pensions.

But if we do finally eliminate poverty among almost all the elderly, should this satisfy the Nation's collective commitment to providing adequate income in retirement? I think not.

Robert Myers, former actuary for the Social Security Administration, has labeled advocates of a greater role for social security in aged income maintenance as "expansionists." He designates as moderates those persons who "believe that the present system is reasonably adequate."

Myers characterizes the moderate viewpoint as one which supports a governmental pension program which provides benefits which are "sufficient so that, with assets and real estate normally accumulated, the vast majority of beneficiaries will be able to have at least a reasonable subsistence."

Here then is the issue. Is social security—as Myers, various social security advisory councils, and many others have argued—merely to provide benefits to insure that retirees can merely subsist at a poverty level? Or are the people of the United States ready to establish collectively a much higher standard?

From one perspective it might be argued that the question is already answered. Currently the income levels of many elderly are beyond subsistence—due mainly to the improved coverage and benefit levels of the social security pension program. And, as wages rise along with the social security contribution ceiling, retirees of the future will be eligible for old-age benefits far beyond the subsistence level.

Thus, an important and I think reasonable question for the Congress to ask is: What is an appropriate earnings replacement goal for social security?

In recent years the pension systems of many countries have sought to express their benefit goals in terms of the proportion of preretirement earnings provided by pension benefits. However, in the U.S. Congress, there has not been much attention given to the pension replacement rates implied by the social security benefit formulas.

Chart III shows estimates that I have made of the preretirement earnings replaced by social security for couples in the United States retiring between 1960 and 1979.

Chart III PROJECTED RATIO AT RETIREMENT OF OASI TO PRERETIREMENT EARNINGS,^a AGED COUPLES, 1960 - 1979

RATIO	U.S.	GERMAN-TYPE	SWEDISH-TYPE
TOTAL PERCENTAGE	100	100	100
29 or Less	36	5	6
30 - 49	43	14	29
50 - 69	13	45	42
70 - 89	4	32	16
90 or More	5 ^b	6 ^b	8 ^b

^a Average of five years prior to retirement

^b Totals exceed 100% because of rounding

Source: Schulz, et al, *Providing Adequate Retirement Income*

Three distributions are shown. The first column shows replacement rate estimates based on a simulation model which incorporates all major provisions of the current U.S. social security system.

Notice the very low replacement potential of the system; only a third of the couples are estimated to receive greater than 50 percent of their average earnings in the 5 years prior to retirement.

In contrast, the next two columns show the replacement rates for Americans which would result if we had a social security system similar to the ones in West Germany or Sweden. I think such an international comparison is especially instructive because it compares our system, not with some social planner's ideal or dream, but with actually operating alternative systems in other countries—countries subject as we are to the very real cost questions of pension financing.

There is no doubt that our current social security system provides pensions which, in the absence of other economic resources, force many retired persons to live at a much lower standard of living than they had before retirement.

And that is one reason why we should not severely penalize, through the rules of our social security system, individuals who need and want to supplement their pension income by working. I have previously presented to this committee my objections to the current social security retirement test. I indicated then that I am not in favor of totally eliminating the retirement test.

Senator CHURCH. Let's see if I follow that chart correctly. When you look at the Swedish system, retirement system, approximately two-thirds of the people, retired people, of Sweden are earning a retirement income that is 50 percent or more of their working income, correct?

Dr. SCHULZ. Let me try to explain it again. If we do not change our social security system in this country, the retirement system will result in replacement for this group of couples [pointing to the chart] which are above 50 percent.

Senator CHURCH. Now, that is 22 percent, as I add it up, 9 and 13, 22 percent, or only slightly more than 55 of our retirees under our social security system will be receiving 50 percent or more of their working income as retirement?

Dr. SCHULZ. Yes.

Senator CHURCH. Compared to 64 percent in the case of Sweden?

Dr. SCHULZ. Sixty-six percent.

Senator CHURCH. Sixty-six percent in the case of Sweden?

Dr. SCHULZ. Yes; we are talking about Americans, not people in Sweden.

Suppose we abolished our present system and substituted for it a system similar to the one in Sweden. Then if we looked at the Americans who would be retiring between 1960 and 1979, we would find them receiving replacement rates in proportions similar to those shown in chart III.

I am trying to show the effects of a system that is operating in another country. I am not advocating that we adopt it. I am saying that if that system were operating in the United States, it would provide much higher replacement rates than we are getting from our own. And it is not a hypothetical system; it is an actual system in operation.

Senator CHURCH. And had we operated the German type, something over 80 percent, 83 percent?

Dr. SCHULZ. For all practical purposes, almost all couples would be getting more than 50 percent.

Senator CHURCH. Would 83 percent be getting more than 50 percent of their retirement above average salary?

Dr. SCHULZ. Right.

Senator FONG. What kind of pensions do Sweden and Germany have?

PRIVATE PENSIONS FLOURISH

Dr. SCHULZ. In Sweden, they have very good public pensions and also a very sizable private pension system.

That is, it is still felt necessary in Sweden to supplement the public social security benefits with private benefits. In neither Germany nor Sweden has the larger replacement rate—larger than the United States—through the public system resulted in the abolishment or elimination of private pensions.

In fact, during my visits to both countries, the people in the industries, the private pension industries, indicated that private pensions are flourishing and providing a very useful function. And as I will argue in my statement, I think there is a place for private pensions. I would not argue for their complete abolition. The question is what should be the mix of public and private pensions? I would argue the present mix should be changed.

Senator FONG. Would you say that in private public pensions in Sweden and Germany, the retiree gets 100 percent, most retirees get 100 percent of their preretirement wages?

Dr. SCHULZ. Often close to 100 percent of after-tax wages.

You have to make a distinction as to whether one is referring to gross wages or wages after the income tax. The goal in both of those countries is to maintain the standard of living of an individual or a

couple in retirement which is the same standard as they had before they retired—not to subject them to a radical, or a sharp drop in their living standard, just because they turned the magic age of 62 or 65.

That is the primary goal of both of those pension systems, and it is the one I think the Congress should be seriously considering for this country.

Senator CHURCH. But our goal through the years has been a very different one.

Dr. SCHULZ. Yes.

Senator CHURCH. Our goal has been to furnish elderly people, through the social security system, with a sufficient income, provide them with subsistence living, and only those whose incomes were at the very highest part of the scale, yet a retirement that is much above the subsistence level.

Dr. SCHULZ. Yes, and you will see when I get to chart V, the rather dramatic implications of that decision and its implication for the growth of private pensions in this country. We have two groups of older people who are moving away from one another in terms of the adequacy of their incomes in retirement.

Senator CHURCH. Very well. Please continue.

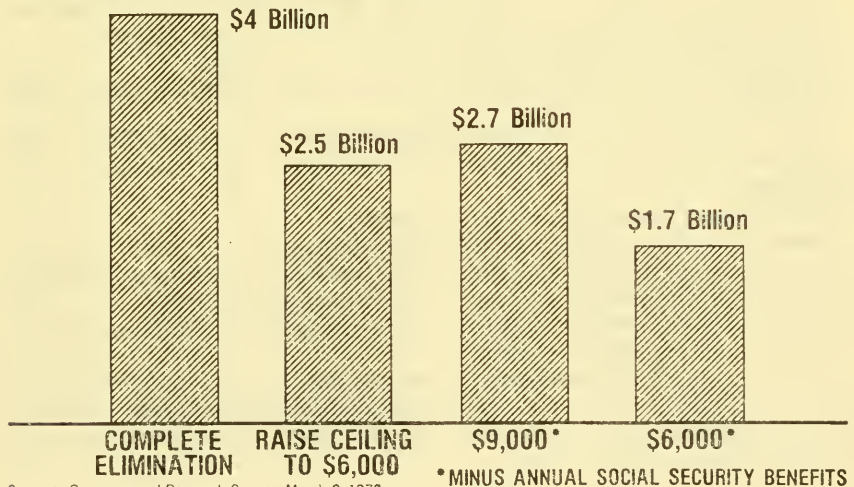
COST OF ABOLISHING RETIREMENT TEST

Dr. SCHULZ. As I said, I would not like to see the retirement test abolished. Rather, I think it should be significantly liberalized. That significant liberalization could be legislated at a much lower cost than the very high and more publicized cost of complete elimination.

The figure I have most often heard used is \$4 billion, and above that, I have heard \$4½ billion.

That cost figure is for complete elimination of the social security retirement test, as shown in chart IV.

Chart IV **COSTS OF LIBERALIZING THE 'SOCIAL SECURITY RETIREMENT TEST**



Source: Congressional Research Service, March 2, 1973

I think that we should, when we consider the direction we want to go with regard to the retirement test, look at the options in between, a very severe test, and a complete elimination of the test. What I am trying to show by this chart is that when you abolish the test the cost is still not inconsequential. But the cost drops substantially for other alternatives.

In the current situation, where many older people need and want to supplement their social security pensions with work, I think it is wrong to so severely penalize them.

Senator CHURCH. Does not it follow that if our task has been largely one of providing subsistence income, then in fairness, we ought to permit those who are willing and able to earn supplementary income without penalizing them though a reduction of their retirement?

Dr. SCHULZ. Yes.

Senator CHURCH. And presently—what is the earnings test, about \$2,400? It is now \$2,500. We have been adjusting it upward. It is very close to the poverty level. In other words, our position seems to me that if you earn \$2,400, which is close to our own definition of poverty, anything above that has to be docked from your retirement income.

Now, in your chart, this \$6,000 would be a retirement test that would permit a retiree to earn up to \$6,000 without penalty?

Dr. SCHULZ. That is correct.

Senator CHURCH. Up to \$500 a month without penalty?

Dr. SCHULZ. That is correct, yes.

Senator CHURCH. And you say the cost of that social security system would be \$1.7 billion?

Dr. SCHULZ. That is correct, as estimated by the Congressional Reference Service. I am using data provided by them, and it is much lower than the \$4½ billion.

Senator CHURCH. We are always frightened away from any tampering of this test, and the \$4 billion figure throws us.

Dr. SCHULZ. That is right.

Senator CHURCH. I have a bill in the Senate pending which would increase the retirement earnings test adjusted to \$3,000, which is a very modest increase above the present level.

Have you anything that you could give us showing what the cost of such an adjustment would be to the social security system?

Dr. SCHULZ. I am afraid not.

Senator CHURCH. Can you give us an estimate, would it be less than \$1 billion?

Dr. SCHULZ. From the cost estimates shown in chart IV it would appear that the cost would be almost negligible, that it would not be very high.

Mr. ORIOL. \$200 million the first year.

Senator CHURCH. The cost of the system would be \$200 million if we raise the retirement to \$3,000. You have here a column indicating a cost of \$2.5 billion when you raise the ceiling to \$6,000.

Over here your \$6,000 indicates approximately \$1.7 billion. How do you reconcile the two columns?

Dr. SCHULZ. The asterisk indicates the difference. The first figure is for a test which does not take into account social security benefits. That is, regardless of your benefits, you would be allowed to work and earn up to \$6,000 a year.

Senator CHURCH. I see.

Dr. SCHULZ. If you wanted to introduce an adequacy test into the retirement test, that is to permit those people who get the lowest social security benefits, and, therefore, probably need supplementation the most, to work the most—then by using a device similar to the one illustrated on the far right of the chart, you reduce the cost. In terms of cost effectiveness, you help the lowest income people among the elderly population. That is, you provide the most liberal retirement test for them.

ANOTHER ELEMENT OF COMPLEXITY

Senator CHURCH. That would certainly be a fairer way to approach this, but it would add another element of complexity to the system, make it very difficult for people to understand, why one can earn more than another.

We already have that problem in medicare, when people simply cannot understand why their neighbor received more from medicare than they did, and all of this as you know depends upon how much the doctor charges, and how much the medicare covers of the doctor's fee, and it is almost impossible for people to grasp what seems to them to be uneven treatment, and I think that that would be a problem in the kind of proposal that you make.

Dr. SCHULZ. I agree. I think that is a real concern. In fact, my general reaction to the existing complexity of the social security system makes me sympathetic to any argument against introducing still another complexity of this sort. But the main reason I present this as an alternative is really to dramatize the difference between what I see is the present totally irrational way of setting the retirement level—just arbitrarily setting the figure—and an alternative way in which you could rationally justify a much higher retirement test level.

I think that realistically and administratively it would be better to stay with a simple increase and avoid that kind of complexity.

Senator FONG. What would you do for a man who refused to retire at 65, and he works to 72? Is that 1 percent annual increment sufficient?

He is complaining that \$4 billion of his money will take care of the other people, and he is only getting 1 percent more for working, whereas if he retired at 62, you reduce it at another figure from what he would get at 65 for every year, but when he works beyond 65 he should get 12 percent, something like that.

Dr. SCHULZ. Since we are faced with rising costs of social security, it is very important to encourage people who are able and would like to work to continue working. Therefore, I would be in favor of seeing that kind of a provision liberalized. That is, to provide a stronger incentive, or bonus to people who continue working.

We have to remember, however, that it is necessary to balance off the problems. That incentive costs money, and money may be taken away from the people who are unable to work.

Senator FONG. The 1 percent is no incentive at all?

Dr. SCHULZ. No, I don't think so.

Senator CHURCH. Senator Fong, we have a bill pending that is addressed to this problem.

Senator FONG. Yes, I have introduced a bill to increase it.

Senator CHURCH. I think it would be a definite improvement in the system.

I am sorry. We have a vote on. Why don't you go ahead and then come back. I will stay a few more minutes, and then we will not have as long a recess, if you could continue with your testimony.

Senator Fong will be back after he votes.

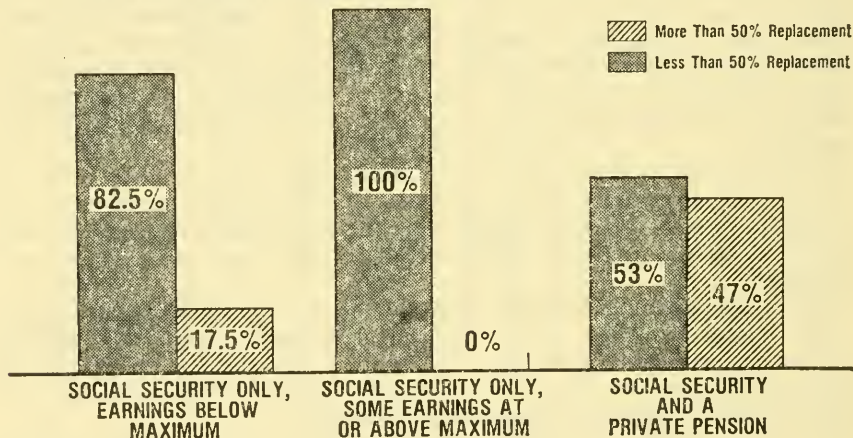
Dr. SCHULZ. I am coming now to what I think is the most important part of my statement.

Another way of dealing with the low income provided by social security has been the development of private pension plans. Many of these plans now provide benefits which together with social security enable recipients to live very comfortably in retirement—often at a level about equal to their preretirement standard of living. But currently only about 45 percent of wage and salary workers in private industry are covered by private pensions.

Thus, we now see an important division occurring in the retired aged population—between those with two pensions and those with only one pension.

Chart V illustrates the pension disparity among men retiring in early 1970. This chart shows the proportion of retirees with less and more than 50 percent replacement of total earnings.

Chart V PROPORTION OF MALE SOCIAL SECURITY RETIREES WITH LESS AND MORE THAN FIFTY PERCENT EARNINGS REPLACEMENT EARLY 1970



Source: Social Security Administration

About half of the men retiring during the first half of that year did not receive at retirement any pension other than social security.

On chart V, this group of "social security only" recipients is divided into two groups: those with earnings—in their 3 years of highest earnings during the last 10—below the social security maximum taxable earnings ceiling and those with earnings above the maximum in 1 or all of the 3 highest years. The third group is retirees with both social security and private pension coverage. While a relatively high proportion, 47 percent, of retirees with dual pension coverage received

pensions replacing more than 50 percent of preretirement earnings, most men receiving only social security received less than 50 percent replacement.

How are we to justify the growing economic chasm between these groups?

The current tax exemption incentives to promote retirement savings by those not covered by private pensions will not solve the problem. The experience of Canada, with a similar but even more liberal tax provision, indicates that the option will be used almost exclusively by the very well-to-do.

We could require all employers to provide private pensions for their employees or to allow them to join a government-run supplemental pension program. This is the approach proposed by the current Labor government in Britain and the Conservative government before it.

SOCIAL SECURITY SYSTEM SUPERIOR

While this option should certainly be explored, I would argue in favor of another approach. We should rely more heavily on social security for the bulk of pension income. The system has already proven its superiority and popularity in providing major retirement security. Private pensions and personal savings are necessary components to most individuals' retirement programs, but I believe that only a national pension system can deal effectively, first, with the need for universal and equitable economic security in old age. Second, with the need for protection against the problems of retirement preparation and retirement living arising from unemployment and inflation. Third, with the need for sharing the Nation's real economic growth with retired persons who look forward to one to two decades out of the labor force.

The recent somewhat belated discovery by some that the post-World War II baby boom has important implications for the financing of social security has been seized upon by some as a basis for scaring the public and undermining support for an expanded system.

The recently issued white paper, endorsed by former Secretaries of HEW and former Commissioners of Social Security, does a good job of summarizing the reasons why the recent attacks on social security are generally fallacious and irresponsible.

Certainly, Mr. Chairman, we should not ignore the question of the future costs of social security. Neither should we allow ourselves to focus so intently on this one issue that we ignore the most basic issue of all: What is the best mix of private and public pensions to insure ourselves adequate income in retirement?

The present social security system is certainly not perfect. In calling for a significant expansion in social security old-age pensions to provide more adequate retirement income, I am well aware of a number of problems and inequities; for example, the treatment of women and the treatment of persons prematurely forced out of the work force.

But I wish to associate myself with the position articulated in the social security white paper: *

*White paper issued on Feb. 10, 1975, endorsed by five former Health, Education, and Welfare Secretaries and three former Social Security Commissioners.

Public discussion addressed to improvement of the system is both necessary and helpful. But discussion of that kind is very different from assertions that the system is basically unsound, that it is bankrupt, or for some other reason doomed to collapse, or that it is a deception foisted on the American public.

There is, however, one current problem connected with the operation of social security which is very relevant to my argument that pension levels should be increased to provide greater replacement of preretirement earnings.

INDEXING PROCEDURE NEEDS REVISION

Various professionals in the pension field have raised serious questions regarding the indexing procedures legislated in 1972 to adjust the system for changes in the general level of prices. It is argued that current mechanisms overadjust and introduce a bias toward ever-increasing real benefit levels and higher payroll tax rates. As a consequence of this upward bias, various projections show future cohorts of retirees achieving higher and higher earnings replacement from social security pensions—replacement rates which in some cases could result in pensions which actually exceed preretirement earnings.

The Social Security Advisory Council has considered the indexing problem and recommended that "the benefit structure should be revised to maintain the levels of benefits in relation to preretirement earnings levels that now prevail."

While discussing the indexing problem at length, the Council provides no justification for not improving the real level of benefits. In fact, the whole issue of benefit adequacy has been avoided again—just as was the case with the previous Advisory Council.

I wish to argue strongly against the Advisory Council's recommendation to freeze social security replacement rates at current levels. If such a policy were adopted, it would doom generations of retirees without private pension coverage and those with inadequate private benefits to the same drastic drop in living standards experienced by so many of the current aged population.

As the Congress well knows, the current elderly population continues to appeal to the Nation for more assistance—despite the many improvements of the past. While some of their need arises from special historical circumstances, and is to a certain extent unique—I want to emphasize the element of constancy in their plight. Unless we recognize the need for adequate earnings replacement through pension systems for future generations, they too will suffer from relative deprivation. They too will claim, as many older persons do today, that they have been abandoned and ignored by the society at a time of great economic vulnerability.

The minimum earnings replacement guarantee through social security should be about 55 percent. As I have explained in some detail in my book, this 55 percent replacement guarantee would provide most of the income needed to maintain living standards in retirement but not all that is necessary. Thus, it would allow a measure of choice to individuals as to whether they wish to supplement this income through personal savings or private pensions. And, consequently, it would recognize the existence and continuing role of private pensions in this country.

For the first three decades of its history the social security system was viewed as a floor of protection, but few who had to live on that floor viewed it as adequate. In 1972 the Congress raised that floor and according to former Commissioner of Social Security Robert Ball, established "a new social security program—one that provides a new level of security to working people of all ages and to all families."

Now some would have us freeze real improvements in benefit levels at current levels.

I am sure the Congress will see the shortsightedness of such a policy. I hope, instead, that the Congress in dealing with the over-indexing issue will seize the opportunity to establish a realistic goal for providing adequate income in retirement.

FINANCING THE PROGRAM

Finally, I would like to briefly make some observations about social security financing. The expansion of social security that I urge would raise the costs of the system. How can we afford higher real benefits when demographic considerations are already creating financial concern? In this regard, I think we should:

(1) Phase-in benefit improvements over a period of years—similar to the way many other countries have introduced major improvements in benefit levels.

(2) Reduce the welfare elements of social security.

(3) Limit the tax subsidies awarded to private pensions.

As I indicated to this committee when it began its earlier hearings on the "Economics of Aging: Toward a Full Share in Abundance":

The major economic issue is not whether—in the face of other expenditure needs such as general poverty, urban blight, pollution, and national defense—we can have better pensions for the aged. Rather, the issue is better posed as whether we want a higher standard of living in our retirement years at the expense of a lower standard in our younger years.

In a very meaningful sense we can have what we want. The Congress, for example, is currently considering a \$15 to \$35 billion tax cut. Such a tax reduction could easily finance all the "windfall gain benefits" currently being paid to those retired. Such general revenue financing, which has been advocated by many, would permit a substantial drop in the payroll tax rate and give a truer picture of the costs of adequate social security benefits to individuals. And, in terms of the current recession, it could provide the same economic stimulus. In fact, it might even provide an even greater economic stimulus—given the regressive nature of the payroll tax.

And, if one thinks that we are heavily burdened by social security costs in this country, one should look at other industrialized countries where the payroll tax typically ranges between 15 and 20 percent of payroll.

Yes, the days of cheap bread, gasoline, and social security are gone forever. But we should not panic and react hastily to the new situation. In the case of pensions, now is the time to begin the debate on how best to provide, not subsistence, but truly adequate retirement income—not just to the "pension elite" but to all Americans.

Senator FONG [presiding]. How do you answer young people who say you are spending almost everything that comes in, you are not setting aside a reserve? When we retire, we do not know whether we will get our benefits or not. How do you answer these young people?

FAITH IN THE FULFILLMENT OF OBLIGATION

Dr. SCHULZ. The simple answer to that question would be to have faith in the Government, to have faith in the fulfillment of obligations which have been taken on by the Congress through legislation. But I think, more fundamentally, they need to look at the history of economic growth in this country and the expansion of economic opportunity in this country. It is this economic growth, and the expansion of opportunities which creates the financial base for our social security system to provide benefits to older people. So one really has to have that kind of outlook to have confidence in the economy and to have confidence in the Congress in not renegeing, in some sense, on a promise made to future generations who are currently contributing vast sums of money to support the current aged population.

Senator FONG. Many of them look at it from the standpoint, where you say this is insurance for the old aged. We take your premiums now, we put it aside, and when you get to a certain age, we will pay you.

Look at it from an insurance company's standpoint. When an insurance company insures your life, you pay so much premium. They take a portion of that premium, put it away as a reserve, that earns income, and when you retire, from that reserve it pays you.

Here we only have probably just a half year reserve to pay what we have obligated ourselves, and how can we keep it more in line with the thought that part of this is really insurance, and if it is an insurance matter, don't we need a bigger reserve? Should not we keep a bigger reserve to take care of some of the obligations that will come about in the future, where as you say, we are on almost a pay-as-you-go basis?

The young man says "I pay now, but actually none of my payment in there is kept for me. I have to wait for my grandson to pay for my social security when I retire."

How do you answer these people who have that kind of thought in their mind?

Dr. SCHULZ. I have tried very often in my own courses to explain this to my students, and I must confess that it is very difficult for them to comprehend the reasonableness of a pay-as-you-go system.

It does conflict with their intuitive understanding of how insurance works, and I think a lot of the concern that has been voiced in the media about the financial viability of the system, in part, reflects again the concern about the question you are raising.

The white paper that has been reprinted by this committee attempted to provide an answer in some detail.

I think it was a very able statement and a good explanation. Beyond such attempts by knowledgeable people to set out in a fairly detailed fashion just how the system works, I am not sure I can provide much other assistance.

I would say, however, that we have to emphasize that insurance has many aspects, and financing is but one of them. Just because social security departs from private insurance with regard to how it is financed, still does not mitigate the fact that in many other ways it is insurance. For example, the survivors insurance provisions of social security in terms of their value exceed the value of all outstanding private life insurance in the United States today.

That kind of insurance protection embodied in the system has got to be explained to people, particularly younger people, who think that social security is only something you get when you get old.

As Congresswoman Griffiths pointed out in her statement* last summer, there are a great many people receiving social security who are not old or not disabled.

Senator FONG. You have made a very detailed study of the social security system in our country.

What do you think of the ability of the present setup with an Advisory Council that acts once in every 4 years, and a new Council is appointed every 4 years, to really tackle the real problems that are confronting this business of social security?

It is a tremendous business. It is the biggest business we have in America, I think. It affects almost every individual in America, and it is so large and so complex, the questions of financing, the questions of payment, the questions of replacement ratios, and all that. Do you think an Advisory Council, such as we have at the present time, has sufficient time, staff, and knowhow to really tackle all of these problems?

Dr. SCHULZ. I have been very unhappy with the prior reports of the Social Security Advisory Councils. I do not think they have done the kind of in-depth study of the system that we need.

ADVISORY COUNCIL STAFFING INADEQUATE

One of the problems, I think, arises from inadequate staffing. I feel very strongly that the Social Security Advisory Councils should have staffing apart from those provided it by the Department of Health, Education, and Welfare.

I think that if they had independent staffing, if they got started sufficiently ahead of the time when they had to make a report to the Congress, they could make a very meaningful contribution to an understanding of these very fundamental problems.

The past Advisory Councils, again, have not done the kind of in-depth analysis that we need.

Senator FONG. They themselves recognized it.

Dr. SCHULZ. The most recent one certainly made that very clear in their report.

Senator FONG. I have introduced Senate Joint Resolution No. 5** under which a National Social Security Commission is to be appointed, four by the Congress, and five by the President, to work as a full-time Commission, to look into every phase of the social security system, and advise us as to what should be done, in place of this Advisory Commission which we have now. What do you think of it?

Dr. SCHULZ. I think it is a very good idea. The problems have grown in complexity. They are not getting any simpler. We are going to need to take more time and make a better effort to investigate them. With certainty, some sort of ongoing deliberating investigative body could make an important contribution.

Senator FONG. I have a few questions here. As you know, the Social Security Advisory Council has recommended reallocating part

*"Future Directions in Social Security," pt. 8, Washington, D.C., July 16, 1974, p. 693.

**See "Future Directions in Social Security," pt. 9, Washington, D.C., Mar. 18, 1975, p. 859.

of the hospital insurance contribution rate under medicare to the cash benefits program, and then use general revenue financing for medicare.

Two of our witnesses yesterday criticized this proposal as undermining the contributory features of the social security system. They also feared that this measure would eventually lead to a means test of the medicare program.

What is your reaction to this criticism?

Dr. SCHULZ. I would have to say, Senator Fong, that unfortunately I have not had a chance to study in detail the Advisory Council's financial report. It was not available to me until yesterday. But, in general, my reaction to the idea of some sort of general revenue financing is favorable. I think that we should introduce some measure of general revenue financing and, at the same time, retain the payroll tax.

I think if we do the two together, it will not seriously undermine the system—that is, the insurance aspects of the system and political support for the system.

Whether we should do it the way the Advisory Council has recommended, through general financing of medicare, that I am less sure about.

I feel that we need much greater study before we take that step, and as you indicated in your last question, we need an in-depth analysis of these kinds of very basic issues before we make our decisions.

Senator FONG. Our income maintenance programs are essentially a three-tier system; social security, of course, provides the base protection, and then there are private efforts, such as private pensions and savings, to supplement social security.

The third tier is public assistance for persons with incomes below certain determined standards.

In this complicated system, what do you view as the promise of social security and private pensions?

Dr. SCHULZ. I think that social security should provide the bulk of the income needed by people in old age.

By that I mean that we should provide through social security an amount of income which is sufficient so that in the absence of any additional income, people would not be forced to experience a very sharp drop in their preretirement standard of living when they move into retirement. But I also believe that people should have some option, should have some flexibility with regard to just what standard of living they personally would prefer. Therefore, I would allow some measure, some role, for private pensions for people who wanted to be covered by them. Also, I would permit some role for individual savings, but as I tried to indicate in my statement this morning, I feel very strongly that the role of social security in this three-tier type arrangement should be much greater than the traditional view.

Senator FONG. And you feel the social security payment should be the greatest of all?

Dr. SCHULZ. Of all three, it should be the major one by far, I am trying to say.

Senator FONG. Reference has been made to Canada regarding private pensions. How is the Canadian Government role in retirement income handled?

Dr. SCHULZ. In Canada?

Senator FONG. Yes.

Dr. SCHULZ. The decision was made to provide a role for social security that was relatively small, very much like the role currently being played by social security in this country. It was a decision on their part to keep the social security component relatively small.

This contrasts, I might add, with many of the European countries, where the decision has been for the opposite.

Senator FONG. Do you know what percentage is handled by the government there, what percentage of retirement income?

CANADIAN SYSTEM SIMILAR TO UNITED STATES

Dr. SCHULZ. In my book, I have estimated the replacement potential of the Canadian social security system. In contrast with the replacement rates characterized in chart IV [see page 887]. I have estimated that the Canadian pension system would provide about 39 percent earnings replacement of final earnings for what I characterize as the average worker—39 percent.

Senator FONG. Are they doing more than the United States, or are we doing more?

Dr. SCHULZ. They are about comparable with the United States.

Senator FONG. Thank you very much.

Mr. Oriol, our staff director, wishes to ask you some questions, and I have to answer a role call again.

Mr. ORIOL. Dr. Schulz, I am sorry that Senator Church was called away. He mentioned to me that he was very much impressed with your presentation and that you have made a major contribution to our hearings.

Now, we also appreciate all the help you have given the committee over the years, including your work on the Economics of Aging Task Force a few years ago.

In fact, in preparing for this hearing, you were even able to work out these charts, the details of them over the telephone, which is no small achievement in itself.

I would like to ask one question, which I think you have touched upon or perhaps upon which you would care to elaborate. Are the Advisory Councils—this is the Social Security Advisory Council which testified yesterday—their recommendations on an average index monthly earnings for AIME—I think you have indicated this in your testimony—but it seems that they are similar to practices now actually in use in other nations, and maybe, you could describe for us how that is done elsewhere.

Dr. SCHULZ. Again, to reiterate, I have not had a chance to study financial aspects of the report. In fact, I do not have a personal copy of the report yet. But as I understand it, one of the major recommendations of the Advisory Council is to deal with the problem which they characterize as the decoupling and which I talk about in my statement as the problem of over-adjustment of social security for price increases.

Now, the way they propose to do that is by changing the benefit formula for calculating social security pensions, in a rather substantial way.

I find two things interesting about what they propose. One is that the way they propose to do it takes account more explicitly of the need to establish some sort of replacement level in social security. In this sense, it is very much like efforts in other countries—Canada, for example, where such efforts have been undertaken. But as I indicated in my statement, once having said that we should establish explicitly a replacement rate, they then go on to make the recommendation that we should freeze that replacement rate at current levels—without providing any justification as to why we should. It is this part of the recommendation that I take very strong exception to.

Mr. ORIOL. I would like to ask for a little more discussion of this comment in your statement.

The Congress is currently considering the \$15 to \$35 billion tax cut. Such a tax reduction could easily finance all of the windfall gain benefits currently paid to those retired.

Will you elaborate on that? I am not sure what you mean by windfall gain benefits.

Dr. SCHULZ. Early in the history of social security the decision was made that we should provide full coverage to many older persons who had not worked a great deal under social security, and, consequently, had not paid much into the system through payroll contributions.

The result of this decision, in part, was to provide benefits to older people which actuarially far exceed their contributions into the system. And it is this difference, this actuarial difference between contributions paid in and benefits paid out, which constitutes what has been called a windfall gain by many people in the Congress.

Mr. ORIOL. Other people call it accrued liability.

Dr. SCHULZ. Yes. You can choose your words, depending on the stress or the emphasis you want to make.

FINANCING "WINDFALL" GAIN BENEFITS

I personally prefer to emphasize the welfare character of this decision, because I think it has important implications for the financing of the system. As I indicated in my statement and what I tried to say in the statement—we wanted to finance these windfall gains, or accrued liabilities through general revenue financing—the cost of doing it would be within the range of the tax reduction proposals that are currently being made to the Congress.

Now, I am not suggesting that the Congress change the current tax bills that they are considering.

What I am suggesting is that if we wanted to provide higher real benefit levels, we could do it through the financing mechanisms of the Government.

Mr. ORIOL. Mr. John Guy Miller, the minority staff director, would like to ask you a couple of questions.

Mr. MILLER. I have a couple of questions with reference to your views with regard to replacement as a percentage of preretirement earnings.

Obviously, the number of people who earn quite high incomes during their working years is comparatively small, but in your calculations of these replacement percentages, have you calculated in any ceiling at all, and, if so, or, if not, how would this factor enter in?

Dr. SCHULZ. The projections that are shown in chart IV do——

Mr. MILLER. Chart III.

Dr. SCHULZ. That is correct; chart IV does incorporate a ceiling.

This ceiling is two times average earnings, average earnings for people covered in social security employment.

That assumption is not based upon the current ceiling in the present social security role.

Rather it is the ceiling that is currently used in the West German system.

To make meaningful comparisons of our present system with the German and Swedish systems, it was my feeling it was more appropriate to use that higher ceiling than the much lower ceiling in the present system.

If we used the current ceiling, then the replacement rates for the U.S. system shown in the first column would be much lower. Therefore, these are very liberal projections of the replacement rate from that standpoint.

Mr. MILLER. It is difficult, of course, to compare income levels between different countries for a variety of reasons, I am sure, but how does the base income, before retirement in West Germany and Sweden, compare with that in the United States, and what bearing does this have on the product of these calculations?

Dr. SCHULZ. I think it is reasonable to make comparisons between the three, because the fact is that these are two of the most prosperous, if not the two most prosperous, nations in Europe in terms of the living standards of the workers. Therefore, the bases, in my opinion, are very comparable.

Mr. MILLER. Thank you.

Senator CHURCH [resuming chair]. Just as I left—I am sorry, we are going to have that kind of day. The Senate will be voting frequently throughout the day, which means we will have to abbreviate the hearings, and the questions, if we are to accommodate the witnesses this morning.

I just have one question. As I left the room to vote, you said you were just about to make your most important point. I would like to know what that was before you leave the witness stand.

Dr. SCHULZ. What I tried to explain, Senator Church, is that we are confronted now with a situation where there are increasing numbers of people retiring with both a private pension and social security. And if one looks at chart V (see page 890), we see that the replacement of earnings from pensions, for those people with dual coverage, is much higher than for those people with only social security. The differences are particularly great for people covered only by social security who have some earnings above the taxable earnings ceiling.

Now, the problem that it raises in my mind is how are we going to deal with a developing situation—where one group of people with one pension have their pension incomes growing at one rate, and another group with two pensions have retirement incomes growing at another rate. And the latter group having significantly higher replacement rates and, in some cases, very adequate retirement income. I pose the issue that we either have to decide to mandate private pension coverage—that is one way of going it—or, as I propose, we have to increase the real benefit levels under social security for everyone. Then if there are some segments of the population that do not

have private pension coverage, we can feel more comfortable about the economic implications for them of that fact and feel more comfortable about the equity of this in terms of our national responsibility.

Senator CHURCH. Have you furnished us with figures as to what this would cost?

Dr. SCHULZ. I have provided some statistics on that in my book.

If you will look again at chart III (see page 885) I can give you the relative costs of these alternatives.

Senator CHURCH. Chart IV it must be.

Dr. SCHULZ. No, chart III.

SWEDISH PLAN MORE COSTLY

Suppose we shifted to a Swedish type pension system that provides much higher real benefit rates, the cost would be about 50 percent more than current social security costs.

It is important to emphasize that the increase in cost is for the old-age pension portion of the social security system only. Future costs of the disability and health programs are not affected by the proposed changes.

I have also estimated the cost of a German-type program in the United States which used 50 percent as a target replacement rate. The cost of this option is estimated to be 30 percent higher than the current OASI program. A 55 percent replacement goal, as proposed in my testimony, would cost slightly more.

Thus, it would be very much higher, and that is why in my statement I tried to emphasize with regard to financing social security costs the fact that we could do this through a variety of devices.

One of them is general revenue financing, but there is no question that it costs a lot more to provide better benefits.

The issue in my mind is whether we are going to do it through a public system that helps everyone or through a private system which helps only a minority of the people.

Senator CHURCH. Obviously, this can only be done if we really change the priorities in this country, and whether we are prepared to make those changes, is very doubtful.

This morning's paper shows that we spend \$350 million to pay Howard Hughes to raise an 18-year-old obsolete submarine. Obviously the intelligence community is in bad need of a cost-benefit ratio, and with our spending habits, prolific spending habits for such exotic spending enterprises, there will not be room enough for the elderly in this country, for the kind of system you wish.

Dr. SCHULZ. I can appreciate that. We can only do what we want to do, and many of us do not want to do it.

Senator CHURCH. I know, but I am discouraged when I think about our failures to provide adequately for our own elderly, and the prolific way we waste money, it is little wonder that we are broke.

Thank you very much.

Dr. SCHULZ. You are welcome.

Senator CHURCH. Our next witnesses come from the National Retired Teachers Association-American Association of Retired Persons: Harriet Miller, Thomas C. Borzilleri, Peter Hughes, and James Hacking.

Please proceed with your statement Ms. Miller.

STATEMENT OF HARRIET MILLER, NATIONAL RETIRED TEACHERS ASSOCIATION-AMERICAN ASSOCIATION OF RETIRED PERSONS; ACCOMPANIED BY THOMAS C. BORZILLERI, PETER HUGHES, AND JAMES HACKING

Ms. MILLER. Mr. Chairman, I am Harriet Miller, associate director for legislation, research and developmental services of the National Retired Teachers Association and the American Association of Retired Persons. These affiliated organizations represent a combined membership of nearly 8 million older persons.

I am accompanied by Thomas C. Borzilleri, our staff economist, and James M. Hacking and Peter W. Hughes, members of the legislative staff.

It must be recognized that the social security system is the captive of an economy which is experiencing its worst economic recession since the late 1930's and, simultaneously, the highest rate of inflation on record.

Let it be understood at the outset: Any extended continuation of high inflation and unemployment, coupled with a zero or negative population replacement rate, would destroy the system as it is presently structured. The system must be desensitized to variable long-term rates of inflation and provided with new sources of revenue.

The Advisory Council has recommended a limited restructuring of the system—changes in the mechanics of benefit computation, changes in the benefits themselves to equalize the treatment of men and women, and an infusion of general revenues into the hospital insurance program.

This use of general revenues would, in turn, release 1 percent of the HI portion of the payroll tax for use in the cash benefit (OASDI) programs to offset recommended cash benefit liberalizations and next June's 8.7 percent cost-of-living adjustment. As additional OASDI revenues are needed in the near future, the remaining HI payroll tax component would be shifted to cash benefits and offset by additional general revenues.

Our associations agree that a restructuring of the mechanics of benefit calculation is needed to stabilize the earnings replacement ratios. We also agree that new sources of revenue are needed immediately to maintain the system through an extended period of high inflation. However, our recommendations are more far-reaching.

If a restructuring of the OASDHI programs are to be undertaken, it should produce a degree of system flexibility sufficient to accommodate, over both the short and long term, economic and demographic trends more pessimistic than those used by the OASDHI trustees and the Council.

Their assumptions may be "reasonable," but they may not be right. Since we are dealing with an institution that provides \$5 billion in cash benefits each month to 30 million retired and disabled workers, their dependents and survivors—plus health care protection—we cannot afford to be overly optimistic in the assumptions on which is predicated that institution's continued financial viability.

The 1974 OASDI trustees' report projected, largely because of lower fertility rates (see table I, page 902), a long-range actuarial imbalance of 2.9 percent of taxable payroll based on present law (see table II, page 903).

Ominously, however, the report indicated that a 1 percent increase in the long-range, annual rate of inflation—from 3 to 4 percent—would increase the average cost by 47 percent (see table III, page 903).

A subsequent report by an independent panel found, on the basis of demographic and economic projections just slightly more pessimistic than those used by the OASDI trustees (see tables IV and V, page 903), a long-term deficit of 6 percent of taxable payroll (see table VI, page 904).

FINANCING PROBLEMS

Now that the Advisory Council has completed its deliberations, we find not only a long-range financing problem but one of short range as well. While the long-term OASDI deficit is largely a function of low fertility rates, the short-term deficit is a function of unexpectedly high inflation rates (see tables VII and VIII, page 904).

The continuing inflation-recession experience has created an immediate financing problem for the system. Since the cost-of-living cash benefit adjustment this year will be almost twice that originally projected, the Advisory Council found that the 2.98 percent long-term deficit would be increased by 0.51 percent and require immediate financing.

With respect to the hospital insurance program, the 1974 trustees' report projected a small surplus by 1995, assuming that removal of the economic stabilization controls would be followed by hospital charge inflation rates close to the precontrol level, but ultimately by more modest rates.

However, the sensitivity test indicates that, if following the removal of controls, the rates of hospital charges increase in the short run to a level consistent with precontrol rates but in the long run, decrease to not less than 9 percent a year, there would be an actuarial imbalance in the hospital insurance trust fund of 0.64 percent (see table IX, page 905).

TABLE I.—CHANGE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE LONG-RANGE ACTUARIAL BALANCE¹—
AS PERCENT OF TAXABLE PAYROLL² BY TYPE OF ASSUMPTION

[In percent of taxable payroll]

	Old-age and survivors insurance	Disability insurance	Total
Actuarial balance under previous estimates.....	-0.43	-0.08	-0.51
Retirement rates.....	-.14		-.14
Disability rates.....		-.21	-.21
Population assumptions.....	1.79	-.08	-1.67
Economic assumptions.....	-.18	-.01	-.19
All other factors (net).....	-.04	-.02	-.06
Change in actuarial balance.....	-2.15	-.32	-2.47
New actuarial balance.....	-2.56	-.40	-2.98

¹ Represents the difference over the 75-year period, 1974-2048, between the average tax rate and the average cost.

² Payroll is adjusted to take into account the lower contribution rate on self-employment income, on tips, and on multiple-employer "excess wages" as compared with the combined employer-employee rate.

Source: 1974 trustee report on OASDI, H. Doc. No. 313, 93d Cong. 2d sess., 36 (June 3, 1974).

TABLE II.—ESTIMATED ACTUARIAL BALANCE¹ OF OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM AS PERCENT OF TAXABLE PAYROLL,² DYNAMIC ASSUMPTIONS³

Item	OASI	DI	Total
Average cost of system.....	11.97	1.92	13.89
Average rate in present tax schedule.....	9.39	1.52	10.91
Actuarial balance.....	-2.58	- .40	-2.98

¹ As measured over the 75-year period, 1974-2048.² Payroll is adjusted to take into account the lower contribution rates on self-employment income, on tips, and on multiple-employer "excess wages" as compared with the combined employer-employee rate.³ See text for a description of the assumptions.

Source: 1974 trustee report on OASDI, H.R. Doc. No. 313, 93d Cong., 2d Sess. 35 (1975).

TABLE III.—PROJECTED "CURRENT COST"¹ OF OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM AS PERCENT OF PAYROLL,² UNDER VARIOUS DYNAMIC ASSUMPTIONS, FOR SELECTED YEARS, 1974-2045

[In percent]							
Calendar year	Dynamic economic assumption ³						
	5-3	5-2	5-4	6-3	4-3	6-4	4-2
1974.....	10.67	10.33	10.35	10.33	10.33	10.35	10.33
1985.....	10.44	9.63	11.64	9.33	10.96	10.49	10.20
1990.....	11.03	9.76	13.00	9.53	12.15	11.25	10.77
1995.....	11.25	9.53	13.98	9.44	12.94	11.69	10.92
2000.....	11.31	9.10	14.71	9.19	13.48	11.92	10.84
2005.....	11.69	8.88	15.74	9.14	14.23	12.39	10.89
2010.....	12.69	9.16	17.71	9.60	15.82	13.55	11.56
2015.....	14.14	9.78	20.55	10.43	18.15	15.27	12.68
2020.....	15.71	10.48	23.80	11.37	20.84	17.24	13.95
2025.....	16.97	11.01	26.86	12.16	23.29	18.99	14.97
2030.....	17.60	11.14	29.05	12.53	24.92	20.12	15.42
2035.....	17.68	10.89	30.15	12.45	25.62	20.50	15.30
2040.....	17.68	10.57	30.97	12.26	26.05	20.66	15.04
2045.....	17.86	10.39	32.08	12.19	26.74	20.98	14.95
Average cost ⁴	13.89	10.05	20.41	10.66	17.95	15.20	12.60

¹ Represents the cost as percent of payroll of the year's total outgo, including amounts needed to maintain the funds at about 1 year's outgo.² Payroll is adjusted to take into account the lower contribution rate on self-employment income, on tips, and on multiple-employer "excess wage" as compared with the combined employer-employee rate.³ The 1st of the 2 figures represents the assumed ultimate annual percent increase in earnings after 1980, while the 2d figure represents the assumed ultimate in CPI.⁴ Represents the arithmetic average of the "current cost" for the 75-year period 1974-2048.

TABLE IV.—FERTILITY RATES FOR RECENT YEARS, AND THE ASSUMPTIONS OF 74 TR AND OF THIS PANEL: ACTUAL AND ASSUMED

	Actual				Assumed					
	1965	1970	1972	1973	1975	1980	1990	2000	2025	2050
74 TR.....	2.9	2.4	2.0	1.9	1.9	2.0	2.1	2.1	2.1	2.1
This panel.....	2.9	2.4	2.0	1.9	1.9	1.6	1.8	1.9	2.1	2.1

TABLE V.—SUMMARY OF THE COMPARATIVE ASSUMPTIONS OF 74 TR AND OF THIS PANEL

[In percent]				Annual rates of increase, 1975 to 2050 in—		
				Real wages	CPI	Money wages
74 TR.....				2	3	5
This panel.....				2	4	6

TABLE VI.—EXPENDITURES AND EXCESS COSTS, AS PERCENTAGES OF TAXABLE PAYROLL

Calendar year	1974 trustees' report		This panel's assumptions	
	Estimated cost	Excess cost	Estimated cost	Excess cost
1975.....	¹ 10.2	0.3	10.2	0.3
1980.....	² 10.3	.4	10.4	.5
1985.....	10.4	.5	11.0	1.1
1990.....	11.0	1.1	11.5	1.6
1995.....	11.3	1.4	11.3	1.9
2000.....	11.3	1.4	12.2	2.3
2005.....	11.7	1.3	13.0	3.1
2010.....	12.7	2.8	14.6	4.7
2015.....	14.1	2.2	16.7	4.8
2020.....	15.7	3.8	19.2	7.3
2025.....	17.0	5.1	21.6	9.7
2030.....	17.6	5.7	23.3	11.4
2035.....	17.7	5.8	24.0	12.1
2040.....	17.7	5.8	24.9	13.0
2045.....	17.9	6.0	24.7	12.8
2050.....	17.2	5.3	23.9	12.0
Average rates.....	12.9	3.0	16.9	6.0

¹ The estimated cost in 1975 only represents benefits and expenses, no contribution to the balance of the trust fund.

² Interpolated from data given.

Note: In 1975 each 1 percent of taxable payroll means \$7,000,000,000.

Because of the uncertainty of future economic developments and because of the very high degree of sensitivity of future levels of benefit expenditures to assumed changes in the CPI, two alternative sets of estimates based on different economic assumptions are presented in this section. The alternatives differ with respect to the assumed future path of the CPI and to assumed future increases in average wages.

TABLE VII

(In percent)

Calendar year:	Alternative I		Alternative II	
	Increase in wages	Increase in CPI	Increase in wages	Increase in CPI
1974.....	7.9	9.1	8.3	9.7
1975.....	8.5	5.7	9.3	7.1
1976.....	8.0	4.5	8.6	5.5
1977.....	7.6	3.2	8.4	4.8
1978.....	5.5	3.0	7.5	4.3
1979.....	5.5	3.0	6.0	4.0
1980.....	5.5	3.0	6.0	4.0

Source: 1974 Trustee Report on OASDI Trust Funds, H.R. Doc. No. 313, 93d Cong., 2d sess. 18 (1974).

TABLE VIII.—ECONOMIC ASSUMPTIONS

(Calendar years, dollar amounts in billions)

Item	1973 actual	1974 actual	Assumed for purposes of budget estimates			
			1975	1976	1977	1978
Gross national product: Current dollars.....	\$1,295	\$1,397	\$1,458	\$1,486	\$1,856	\$2,606
Constant (1958) dollars:						
Amount.....	\$839	\$821	\$794	\$832	\$879	\$1,061
Percent change.....	5.9	-2.2	-3.3	-4.8	5.6	6.5
Prices (percent change):						
GNP deflator.....	5.6	10.2	10.8	7.5	6.5	4.0
Consumer Price Index.....	6.2	11.0	11.3	7.6	6.6	4.0
Unemployment rate (percent).....	4.9	5.6	8.1	7.9	7.5	5.5

Source: Office of Management and Budget, "The United States Budget In Brief, Fiscal Year 1976," 14 (January 1975).

Table IX compares the cost of the HI program with two alternative projections, based on different assumptions as to the rate of increase in hospital costs. The first alternative shows the current cost ratios that would occur if the rates of hospital cost increase in the short range were to revert to a level consistent with, but lower than, the corresponding rates experienced under medicare prior to cost controls and in the long range were to decrease to the level of 9 percent per year. The second alternative shows corresponding figures that would occur if the rates of increase in the short range were to remain at a level consistent with those experienced under medicare during the period of cost controls and in the long range were to decrease to the level of 7.5 percent per year.

TABLE IX.—SUMMARY OF ALTERNATIVE PROJECTIONS OF THE COST OF THE HI PROGRAM

[In percent]			
Year	This report	Alternative 1	Alternative 2
Assumed increase in hospital costs per capita:			
1974.....	9.6	11.4	9.1
1975.....	12.6	14.0	10.5
1980.....	11.0	12.5	10.5
1985.....	8.0	9.0	7.5
1990.....	8.0	9.0	7.5
1995.....	8.0	9.0	7.5
Current cost ratios and resulting actuarial balance:			
1974.....	1.63	1.67	1.59
1975.....	1.69	1.76	1.63
1980.....	2.07	2.32	1.97
1985.....	2.48	3.01	2.37
1990.....	2.94	3.81	2.81
1995.....	3.45	4.70	3.24
Average cost.....	2.63	3.29	2.50
Average tax.....	2.65	2.65	2.65
Actuarial balance.....	+ .02	-.64	+ .15

Source: "1974 Trustee Report of the HI Trust Fund," H. Doc. No. 314, 93d Cong., 2d sess., 28 (June 3, 1974).

Our associations wish to point out that, following the end of controls, the health care inflation rate was 17 percent; that for hospital charges was even higher.

We believe that the Advisory Council should have examined more critically the set of assumptions used in the 1974 OASDHI Trustees' Reports. In developing suggested solutions to the short- and long-term financing needs of the system, the Council should have used a low, medium, and high set of assumptions and produced recommendations for restructuring the system that would have been flexible enough to accommodate even the worst case.

Our associations believe that our three-tiered, income maintenance structure should reasonably assure that the highest standard of living achieved by an aged or disabled family unit prior to retirement, death, or disability will be perpetuated. Since the preservation of that standard after retirement is thought to require a level of income of at least 60 to 65 percent of the preretirement level, the OASDI programs should be augmented to provide a greater overall rate of earnings replacement.

SUGGESTIONS TO CONGRESS

Since the function of providing the aged with an adequate floor of income protection has been assumed by the SSI program, and in

view of the necessity for a fundamental change in OASDI benefits and financing, our associations urge the Congress:

- (1) To make the system universal;
- (2) To continue the contributory aspect and preserve the "right" to benefits;
- (3) To establish an adequate earnings replacement ratio;
- (4) To stabilize that replacement ratio by decoupling the indexing of benefits from the indexing of the earnings record;
- (5) To provide new—not simply more of the same—sources of revenue; and
- (6) To introduce additional equity into the financing of the program and into the programs' treatment of men and women and of single- and double-earner family units.

Our associations agree with the Council that the OASDI system should be universal and we suggest, that if it is not feasible to extend the system such that it constitutes a first tier of benefits, supplemented by a second tier, career retirement program—similar to the railroad retirement system—it is feasible to integrate the existing primary retirement systems by providing for an exchange of credits.

We also endorse the Council's recommendation that there be phased in, over a 30-year period, an offset with respect to derivative OASDI benefits in an amount equal to any primary benefit from any non-OASDI retirement systems.

These recommendations would tend to assure the receipt of benefits in relation to total contributions and to eliminate some of the maldistribution of our limited income maintenance resources that results from dual or multiple benefit entitlement.

With respect to the contributory nature of the OASDHI programs, we believe that everyone should be required to contribute some minimum. We do not believe that the hospital insurance program should be financed totally from general revenues as the Advisory Council recommends. The contributory feature is essential to preserving the concept of a "right" whether those benefits are in cash or in-kind.

Our associations will support the Advisory Council's recommended restructuring of OASDI benefit computation only if the SSI program is perfected to the point to where it provides at least a poverty level floor of income protection. SSI must assume the "floor of protection" function.

Senator CHURCH. I very much agree with that position because I believe, unless the SSI can maintain a minimum level of retirement income—that is, above the poverty line—there is really no justification for having established the system.

That was its purpose, after all, and we are, if we are not going to achieve that purpose, we might just as well go back to the old welfare system and that, I think, would be a great step backward.

PROGRAMS OVERINDEXED

Ms. MILLER. Thank you, Mr. Chairman. We agree with the Advisory Council's conclusion that the OASDI programs are over-indexed. We agree that, in the future, an individual's earnings record should be indexed and restated in terms of the wage levels prevailing in the year before the year in which he retires, becomes disabled, or

dies. We agree that the level of benefits should not exceed 100 percent of AIME.

We do not, however, agree that the two- or three-tiered benefit formula should provide replacement ratios roughly equivalent to those presently prevailing. The amount of earnings replaced should not be less than 55 percent of AIME, if the preexisting standard of living is to be preserved.

In this connection, I would draw your attention again to Dr. Schulz' chart, upon which you commented, Mr. Chairman.

We agree with the Council that, once a benefit level is determined, it should be adjusted for subsequent increases in living costs. However, since the CPI reflects the expenditure pattern and price experience of urban wage earners and clerical workers rather than the aged and the poor, its use as the indexing standard may understate the benefit increases these groups should receive. Therefore, we continue to urge that a separate aged index be constructed and used to adjust OASDI and SSI benefits [table X, below].

The Consumer Price Index makes no distinction among subgroups, assuming that all consumers, rich and poor, consume the same market basket of goods and services. This is obviously not the case, for the rich by choice spend a higher proportion of their income on luxuries, while the poor have no choice but to spend a higher proportion of their income on such necessities as food and shelter. In order to assess the impact of inflation on such dissimilar groups of consumers, it is necessary to develop price indexes based on the different market baskets that are consumed.

Such market baskets were developed in R. G. Hollister and J. L. Palmer's analysis of "The Impact of Inflation on the Poor." They created market baskets for both rich and poor families from the 1960-61 Survey of Consumer Expenditures, which in turn were used to fashion both a Poor-Person's Price Index (PPI), and a Rich-Person's Price Index (RPI), that approximate the true price indexes for these different groups. These market baskets are split into eight major categories, with the importance of each category to the rich and poor consumers identified in the following table.

TABLE X.—WEIGHTS OF MAJOR CATEGORY EXPENDITURES

Item	Poor person's index	Rich person's index
Food.....	0.349	0.219
Housing.....	.356	.278
Apparel.....	.078	.118
Transportation.....	.051	.160
Medical care ¹058	.062
Personal care.....	.033	.027
Recreation.....	.034	.077
Other.....	.041	.059

¹ For the aged, the weight for medical care would generally be higher.

Source: Joint Economic Committee, "Inflation and the Consumer in 1973," 93d Cong., 2d sess., 34-35 (1974).

During periods of high inflation, a once-a-year benefit adjustment is inadequate to prevent substantial benefit level purchasing power erosion. We think they should be more frequent and suggest that the Congress consider the trigger method used by the civil service system.

That the cash benefit programs are confronted by both short- and long-term deficits, that result primarily from different causes, is beyond dispute. We agree with the Council that the short-term deficit requires immediate funding, to prevent a depletion of the trust funds, and that general revenues should be used.

We disagree, however, on two issues. First, we oppose the Council's scheme for complete general revenue financing of medicare. We believe that the use of the hospital insurance portion of the payroll and self-employment taxes is necessary to continue the contributory principle and the concept of a right to benefits.

Second, we believe the Council's financing recommendations are inadequate and could not accommodate errors in the long-term population growth and inflation assumptions.

We support the use of general revenues for the medicare program—not to release the hospital insurance component of the payroll tax for use in cash benefits—but to expand and consolidate the medicare and medicaid programs.

Certainly, this committee is familiar with the administration's proposed curtailments in these programs as a means of restraining health-care, inflation-induced increases in Federal spending. What the administration ignores is the increasing cost burden on the program beneficiaries that has resulted from this same inflationary trend. In 1969, medicare covered 46 percent of the aged's annual health care bill; now it covers 37 percent. The aged need more medicare protection—not less.

Inflation-induced increases in expenditures under the medicare and medicaid programs would best be remedied by restraining inflation in the health care market. Our associations continue to urge the immediate reimposition of controls over health care, the abandonment of cost-reimbursement, and the substitution of prospective payment procedures for institutional providers and negotiated fee schedule procedures for licensed professional practitioners.

The Advisory Council's report indicates that the OASDI programs' short-term financing problem is the result of the need to finance cost-of-living adjustments far higher than those originally projected for the system. The administration's response has been to propose the imposition of an arbitrary 5-percent limitation.

To this, our associations are vehemently opposed. Over the past few years, it has been the aged poor and fixed-income who have suffered the greatest loss of purchasing power [see table XI below]. They need their full 8.7 percent increase [see tables XII and XIII, below].

According to the recent staff study of the Joint Economic Committee "Inflation and the Consumer in 1974," [94th Cong., 1st sess., 27-28 (1975)], prices have risen more for the low-income consumer in the last 3 years than for the high-income individual. From October 1971 to October 1974, the poor person's index rose 27.8 percent while the rich person's index increased 24.6 percent—a difference of 3 percentage points.

The following table is reproduced from that recent staff study.

TABLE XI.—COMPARATIVE PRICE INDEXES

[August 1971=100]

	Poor person's index	Rich person's index
1971: October.....	100.13	100.31
1972:		
April.....	102.04	101.76
October.....	103.91	103.62
1973:		
April.....	108.36	106.93
October.....	114.07	111.49
1974:		
April.....	120.52	117.49
October.....	127.94	125.02
Percent changes:		
1972.....	3.8	3.3
1973.....	9.8	7.6
1974.....	12.2	12.1
1971-74.....	27.8	24.6

Source: Consumer Price Index and Prof. Thad Mirer.

TABLE XII.—1973 ANNUAL INCOME BY AGE¹[Percent of population,² by income levels]

Current total money income	Age 65 and over			Age 25 to 64		
	All consumer units	Families	Nonfamily persons	All consumer units	Families	Nonfamily persons
Under \$1,000.....	2.8	0.8	5.3	1.9	1.0	6.2
\$1,000 to \$1,499.....	4.9	1.1	9.7	1.1	.5	4.2
\$1,500 to \$1,999.....	6.9	2.0	13.0	1.5	.8	5.0
\$2,000 to \$2,499.....	8.9	3.1	16.1	1.7	.9	4.9
\$2,500 to \$2,999.....	8.6	4.9	13.2	1.5	1.1	3.4
\$3,000 to \$3,499.....	7.1	5.5	9.0	1.7	1.3	4.0
\$3,500 to \$3,999.....	6.1	5.8	6.5	1.6	1.3	3.5
\$4,000 to \$4,999.....	10.8	12.4	8.9	3.9	2.9	8.5
\$5,000 to \$5,999.....	8.3	10.6	5.3	4.0	3.2	7.7
\$6,000 to \$6,999.....	6.3	8.8	3.2	4.2	3.6	6.7
\$7,000 to \$7,999.....	4.4	6.5	1.8	4.7	4.3	6.9
\$8,000 to \$8,999.....	4.0	5.7	1.8	5.1	4.7	6.8
\$9,000 to \$9,999.....	3.0	4.2	1.4	4.9	4.8	5.5
\$10,000 to \$11,999.....	4.5	6.7	1.8	10.9	11.4	8.8
\$12,000 to \$14,999.....	4.8	7.6	1.2	15.1	16.4	8.8
\$15,000 to \$24,999.....	6.0	9.9	1.3	26.8	30.8	7.4
\$25,000 to \$49,999.....	2.0	3.4	.4	8.4	9.9	1.2
\$50,000 and over.....	.6	1.0	.1	1.0	1.1	.5
Midpoint (median).....	\$4,441	\$6,426	\$2,725	\$12,243	\$13,500	\$7,367
Arithmetic average (mean).....	\$6,696	\$9,029	\$3,772	\$13,621	\$14,965	\$7,533
Percent under \$4,000.....	45.3	23.0	62.2	11.0	6.9	31.2
Percent over \$12,000.....	13.4	21.9	3.0	51.3	53.2	17.9

¹ Tabulation developed from table 25, "Consumer Income Current Population Reports," P-60, No. 97.² Age population based on March 1974 current population reports estimate.

TABLE XIII.—5THS OF FAMILIES RANKED BY SIZE OF MONEY INCOME BY AGE, 1952, 1962, AND 1972, FAMILY INCOME

Age of head in years	Total		Lowest 5th		Second 5th		Third 5th		Fourth 5th		Highest 5th		Top 5 percent	
	1952	1972	1952	1962	1972	1952	1962	1972	1952	1962	1972	1952	1962	1972
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
14 to 24.....	5.2	5.5	7.1	8.4	13.2	8.0	8.5	12.4	6.0	6.0	7.5	3.7	3.4	3.8
25 to 34.....	23.6	19.3	13.8	13.5	17.1	26.1	21.9	23.7	29.5	26.3	27.7	28.7	22.4	24.5
35 to 44.....	23.8	24.4	15.7	14.8	11.7	22.2	20.8	16.0	25.2	26.0	21.0	28.4	30.8	24.3
45 to 54.....	19.8	20.8	20.7	16.1	11.7	17.0	17.3	14.9	18.6	18.9	19.4	21.0	22.8	25.8
55 to 64.....	14.6	15.6	15.9	17.2	14.9	13.5	14.0	15.3	12.9	14.7	16.4	11.9	14.7	16.0
65 years and over.....	13.0	14.5	14.0	30.1	34.3	32.8	12.7	17.6	7.8	8.0	7.9	6.4	5.9	5.6

Source: U.S. Bureau of the Census, "Current Population Reports," series P-60, No. 90, "Money Income in 1972 of Families and Persons in the United States," U.S. Government Printing Office, Washington, D.C., 1973, p. 40.

The appropriate way to control increasing expenditures under these programs is not the imposition of an arbitrary ceiling, but the creation and application of an effective micropolicy to restrain exorbitant price increases in noncompetitive markets and to coordinate this with a flexible macropolicy to restrain aggregate demand inflation in the event that it begins to develop.

Since we believe that the Federal Government is ultimately responsible for controlling inflation, we think it fair and reasonable to recommend that cost-of-living adjustments in benefit levels once a person retires, becomes disabled, or dies, should be financed out of general revenues.

This limited use of general revenues for a specific purpose, while it will hopefully motivate the Congress to reform the loophole-ridden Federal income tax, will neither abrogate the contributory principle nor lead to unwarranted demands for benefit increases.

PAYROLL AND SELF-EMPLOYMENT TAX REFORM

Should the Congress accept the Advisory Council's recommendation that the benefit formula be revised and that benefit levels never exceed 100 percent of AIME, thereby lessening the existing weighting of benefits in favor of those who contributed less to the system, the overall benefit tax progressivity of the system will be lessened. We urge the Congress to take up the matter of payroll and self-employment tax reform.

Such reform could be accomplished either directly or indirectly. We have suggested the use of general revenues to offset the revenue loss which would result from the direct introduction of a low-income allowance. H.R. 33, sponsored by Congressman Burke, would flatten the tax rates to 3 percent for employer and employee, expand the wage base to \$25,000 and tie in a general revenue contribution.

Other proposals would lessen payroll tax regressivity by integrating it with the income tax by means of a limited, refundable credit against income tax liability for a portion of payroll taxes paid.

The use of general revenues for cost-of-living cash benefit adjustments and modest payroll tax reform is clearly preferable to tax rate and/or taxable wage base increases—especially in view of the proposed lessening of the degree to which benefits are weighted.

Moreover, the Congress should anticipate increasing lower and middle-income taxpayer resistance to additional payroll tax burdens, especially if such a tax is to be used to finance, in part, the cost of a national health plan. In any event, general revenues will have to be used to meet the long-range deficit that results from the demographic trend.

Our associations endorse the Advisory Council's recommendations to change the requirements for entitlement to dependents' and survivors' benefits to provide equitable treatment to fathers and divorced men.

We consider it unfortunate, however, that the Council refused to accept its subcommittee's recommendation that a married working couple, under certain circumstances, be given the option of receiving benefits based on the combined earnings of the couple. Our associations have pointed out before to this committee that the Congress would have to deal with the reality of the working wife. We think the time to do so is now.

Our associations have urged repeatedly that the retirement test be liberalized and ultimately abolished. While we concede that in today's economy increasing numbers of workers are competing for diminishing numbers of jobs, we maintain that this Nation must attempt to solve the problem of unemployment by creating more jobs, not by perpetuating existing barriers to employment. We would hope that the Advisory Council's retirement test recommendation, while not going as far as we suggest, will be accepted so that the aged who want to work to supplement their income will find this barrier to labor market entry less formidable as the economy begins to revive and jobs become more plentiful.

In conclusion, Mr. Chairman, our associations support the Council's recommendation to restructure the mechanics of benefit computation by indexing the workers' earnings record and the benefit table separately. We urge, however, that the benefit formula applied to the AIME provide a replacement ratio of not less than 55 percent.

We support the council's proposal to lessen the degree to which the OASDI benefits are weighted in favor of those who contributed less to the system; concomitantly, however, the SSI program must be augmented to assume fully the burden of the minimum floor of protection function.

USE OF GENERAL REVENUES

We support the use of general revenues: First, for an expanded consolidated medicare and medicaid program for the aged; second, to finance cash benefit cost-of-living adjustments; and third, to lessen the regressivity of the payroll/self-employment taxes.

We support the Council's recommendation to treat men and women equally with respect to benefits. We believe, however, that the Congress should provide greater benefit/contribution equity in the treatment of two-earner family units. The working wife cannot be ignored.

Finally, we support further liberalization and ultimate abolition of the retirement test; we believe that, in view of the demographic projections, income from active employment will have to assume greater importance if the future aged are to achieve an adequate degree of income security.

Thank you, Mr. Chairman.

Senator CHURCH. Thank you very much for your testimony. I recall that the NRTA and the AARP were instrumental in the drafting of legislation that I have again introduced in this Congress.

It would establish an independent, nonpolitical Social Security Administration and separate the transactions of the social security trust funds from the unidentified budget.

In view of the recent administration's proposals to put a ceiling on social security cost-of-living increases, and to cut back medicare, do you believe the need for enactment of this proposal is more urgent now?

Ms. MILLER. Yes.

Senator CHURCH. I do too and I hope we can get the bill to the floor of the Senate this year and get a Senate vote on it. Last year we did secure support from more than 50 percent of the Senators so that I think we can get it to a vote, we can get it approved.

How gradually would your proposed abolition of the retirement test come about and how would proposed abolition be financed?

You have seen the charts presented this morning and I am not clear from your testimony just what the position of the NRTA and the AARP may be with respect to the retirement test.

Do you simply endorse the recommendations of the Council or do you have a separate recommendation?

Ms. MILLER. Mr. Hacking will respond.

Mr. HACKING. We have endorsed the recommendations of the Council. We consider the recommendations to be progress in the right direction; however, our associations, for this particular year, believe that the exempt amount of retirement test should be increased to a level of \$4,000, on an annual basis.

Obviously, there are a great many factors involved in determining how quickly we can move toward a goal of ultimate abolishment; there are cost factors involved, and there are also political factors involved.

Certainly, we recognize that the abolishment of the test changes fundamentally the nature of the system from that of an earnings replacement system that insures against certain risks, and that there is tremendous resistance to such a fundamental change.

The other problem, the cost problem, is one that is certainly foremost in our mind, especially at this time, with the financial problems of the system.

Now, when Professor Schulz was using his charts we saw a \$4 billion price tag for eliminating the test.

I believe that this \$4 billion figure is the cost to the system but it does not take into account certain offsets that might occur, offsets, for example, for the amounts contributed to the system by individuals who continue to work after age 65.

The Social Security Office of Research and Statistics and Office of the Actuary have not really been very helpful in providing a truly accurate cost estimate for abolishment and we would hope that the Congress, if it undertakes a thorough review of the social security system, would bring some pressure to bear upon the actuaries to develop statistics that truly reflect the net cost of the abolishment.

Senator CHURCH. Well, I think that would be helpful too. The fact is that when I came to the Senate in 1957, the retirement test at that time, as I recall, was \$1,250 and it is now \$2,500 plus, but we have done nothing more than simply keep the retirement test moving with the inflation that has occurred during that period and so we really have not improved the working opportunities of beneficiaries under social security.

I should think that if the Congress were to increase the retirement test to \$3,000, through the adoption of the bill that I now have introduced, that we would still be pretty much engaged in playing a catchup game.

Well, I think your recommendations are good and we look to your organizations for not only support in our efforts to improve the general conditions of life for the elderly but also for your leadership and we appreciate the contribution that you have made.

Ms. MILLER. Thank you, Mr. Chairman.

Senator CHURCH. Our next witness is Ms. Jacquelyne J. Jackson, Ph. D., associate professor of medical sociology and member of the Center for the Study of Aging and Human Development, Duke

University; and vice chairman, National Caucus on Black Aged, Inc.

I understand, Dr. Jackson, you have no prepared statement this morning, that you would like to speak from notes.

STATEMENT OF JACQUELYNE J. JACKSON, PH. D., ASSOCIATE PROFESSOR OF MEDICAL SOCIOLOGY AND MEMBER OF THE CENTER FOR THE STUDY OF AGING AND HUMAN DEVELOPMENT, DUKE UNIVERSITY; AND VICE CHAIRMAN, NATIONAL CAUCUS ON BLACK AGED, INC.

Dr. JACKSON. Yes. Thank you very much, Mr. Chairman. As you have indicated, I am Jacquelyne J. Jackson, vice chairman of the National Caucus on Black Aged.

To digress for a moment, sir, I would like to note that I have with me in attendance Rheba Holmes, Cheryl Rodgers, Victoria Spriggs, Cheryl Temple, N. L. Thakore, and Antoinette Trainer, all of whom are students at Howard University, who are interested in some aspects of human development, as related to aging, and who perhaps might improve their training and be able to provide us with the kinds of data which we continue to have about the black elderly, at least, if we were able to encourage the National Institute on Aging to provide some kind of program which would assist in training of blacks.

We appreciate very much the opportunity to share with you some of our concerns about the impact of inflation upon black elderly, as related to social security, and while I have not had sufficient time to analyze the major finance recommendations of the Social Security Advisory Council, I do want to make the following comments, as related to the recommendations set before you for your consideration here today.

With respect to the recommendations, under cash benefits, No. 2, benefit structure, replacement rates, we believe that for those blacks who are aged, and in poverty, and whose lifetime earnings place them in poverty, that it would be detrimental, in fact highly detrimental, to have a benefit structure which would be based upon preretirement earnings that was on less than that benefit structure that was in some way adjusted to take into account the racial discriminatory factors which kept their incomes at a lower level.

We also believe that there is perhaps one way in which some moneys could be saved by the administration, and which would, therefore, be useful in raising the currently deplorable levels of those black aged, who are now being pushed increasingly into even more poverty under inflation, and that is, we suggest the entire elimination of SSI.

We suggest instead that all persons 65 or more years of age, who are not employed full-time in the labor force, should be given automatic coverage under social security.

We believe further that there should be a minimum amount of monthly receipts, and our current estimate is \$300 per person, and we believe that there should be automatic adjustments, tied in with the CPI as other groups have advocated before you, the CPI should be one developed upon the prices which elderly persons have to pay with this special attention given to health.

We note that you, I think, are very concerned, and are aware of the significant increases which have occurred.

Insofar as we have been able to determine, for example, we know that there have been drastic increases in the cost of health care for many black elderly especially, and we note that the general medical care index in the United States increased from 142.2 to 161 over the year from January 1974 until 1975.

Even more alarming, of course, is the increase in the food index from 135.7 to 170.9 over the same year, so these are critical items, and we suggest once again some consideration being given to them.

Now, I would like to speak to the issue of the fact that the Advisory Council's report continues to make the same kinds of statements which we have heard for at least the last 7 years.

As you recall, it was in 1968 that we suggested that there were critical gaps which showed certain inequities with respect to social security payments under OASDHI, and black males, and we find now in 1975, on pages 53 and 54 of the Social Security Advisory Council report, the statements are in effect, we do not have enough information, we must find out more.

We wonder why we are not able to find out more, and we have requested time after time after time that the Social Security Administration begin to collect and distribute the kinds of data which would answer the types of questions which we feel ought to be raised, and we do have some questions which we have outlined elsewhere which we feel should be considered.

SUBCOUNCIL PROPOSED FOR MINORITY ELDERLY

Also in that connection, we would like to point out, in our judgment, we believe that it would be very useful, perhaps in the future, to have such Councils have a special subcouncil devoted to the problems of minority elderly, as well as to the problems of minorities in social security. And now, finally, we believe that an immediate change in certain provisions of social security would be most fruitful for many elderly blacks where at one point in time both parties to the matter came within the labor force, and had benefits deducted from their checks. Specifically, we believe that each spouse, widowed or still married, should be entitled to receive the benefits for which he or she is eligible as primary beneficiary as well as secondary beneficiary.

We further believe that it is in fact discriminatory to permit spouses who have never contributed any moneys at all to social security to be permitted to draw funds when spouses who have contributed moneys cannot draw such funds, and to the extent that we can determine whether or not there is a constitutional question involved, we are in the process of trying to prepare a brief to file for a judicial ruling.

In conclusion, then, I want to also indicate that not only do we support the work of your committee, but we hope that you will be very influential in making certain that the proposed 5 percent ceiling will not take place—that the proposed 5 percent ceiling on cost of adjustment for social security will not take place. Because that would indicate to us that we will probably have within the next few months something like at least 7 to 8 out of every 10 black elderly in poverty, and about 1 out of 2 black males.

We thank you for your attention.

Senator CHURCH. I thank you very much for your testimony, and the recommendations that you make, and I can only conclude on your note of conclusion that it would be a tragedy if we began to attempt to solve the problems of inflation in this country by squeezing the money out of the retired people, who are the least able to bear that burden, and have the least to do, I should think, with the inflationary problem. The fact that there has been strong support for the resolution that I have introduced, which would express our disapproval in the Congress of the President's proposal, I think gives us grounds to hope that the law will not be changed, and the cost of living benefit of 8.7 percent, which will be due in July, will in fact be paid. Your other recommendations will certainly be taken into serious consideration by the committee as it looks for ways to improve the social security system. I think our hearings today demonstrate the special needs of the black elderly who have to be separated out of the general figures if we are to get any kind of idea of the problem that faces them. To blend them into the general figures is just to confuse the picture. I am glad the charts, and the other testimony we received today, do separate out the blacks, and demonstrate their problems are much more serious than the problems for the population as a whole, and we must be mindful of that in any proposals we make for modifying social security in the future. Thank you very much.

Dr. JACKSON. Thank you.

Senator CHURCH. The hearings on the future directions of social security will continue tomorrow and the committee will meet in this room at 2:30 tomorrow afternoon.

[Whereupon, the hearing was recessed at 12:15 p.m.]

APPENDIX

ITEM 1. SUPPLEMENT TO STATEMENT OF DR. JAMES H. SCHULZ*

SOCIETY'S UNCERTAIN COMMITMENT TO THE ELDERLY

Not too many years ago it was relatively easy to talk about the economic situation of the elderly population. All one needed to do was cite the statistics which confirmed what everyone knew from either personal experience or by looking around. For years now everyone has known that most of the elderly suffered from serious economic deprivation—that their income were inadequate, that inflation exacerbated the situation by reducing real incomes and eroding savings, and that the aged were one of the largest poverty groups in the country.

Today it seems to me that the situation is in fact much more complex. This is due in large part to the very positive response by our Nation to the economic plight of the elderly. During the past decade (just 10 years) dramatic developments have occurred in developing private and public programs to deal with the economic problems of old-age:

(1) Private pension programs have spread throughout industry; they have grown rapidly; and large increases in their benefit levels have been instituted.

(2) Two large public health insurance programs have been legislated and currently provide over \$13 billion a year in benefits.

(3) Property tax relief laws for the aged have been legislated in over 80 percent of our states.

(4) Social security old-age benefits have been increased by over 75 percent.

(5) Old-age assistance has been abolished, and a new Supplemental Security Income Program (SSI) has taken its place.

(6) Federal regulation of private pensions has become a reality—together with an exemption from federal taxation of savings for retirement by self-employed professionals and employees not covered by private pension plans.

These new programs have resulted in a gigantic shift of income from the working population to the retired population and a significant drop in poverty among the aged. A comprehensive study of the Federal budget by the Brookings Institution, for example, recently concluded that "although it is not possible to say exactly how shifts in federal activity have affected particular groups, clearly the aged and the disabled have received an increasing proportion of federal benefits."

Thus, for the first time the question is being seriously posed: "Have we done enough for the aged?" Last year, writing in the Washington Post, columnist David S. Broder, for example, concluded that "the significant, semi-hidden story in the . . . federal budget is that America's public resources are increasingly being mortgaged for the use of a single group within our country: the elderly. The benefits being paid to them are rising faster than any other major category of federal spending, and the taxes being levied—mainly on their children—to finance those benefits are also going up faster than any others."

Writing in Challenge magazine, economist Carolyn Shaw Bell's article on social security is headed: "Social Security is not insurance. It is a monster tax: not only enormous but rising rapidly, not only regressive but discriminatory."

And last summer the Wall Street Journal observed in an editorial: "It is . . . now being perceived, by labor economists especially, that real wages can fall even as the nation's real income rises: the [social security] system is simply transferring purchasing power from worker to non-worker. Inflation accelerates this condition because social security recipients have their incomes tied to the CPI and the vast majority of the work force does not."

This issue of the old versus the young with regard to each group's rightful or equitable economic share is being raised with greater frequency.

What are the facts? Have we done enough?

*See statement, p. 877.

While a meaningful answer to this question would require a discussion much longer than the time available to me today, I would like to make a number of, what I consider to be, important observations.

First, despite all the improvements of recent years, large numbers of the elderly still remain in poverty. The most recent data available from the Bureau of the Census show that in 1973 there were about 3½ million persons aged 65 and over with poverty level incomes.¹

This large number of aged poor represents, in fact, an improvement over prior years—down from almost 30 percent of the aged in 1966 to about 16 percent in 1973. In fact, aged poverty, as currently defined by the Social Security Administration's poverty index, may virtually disappear in the near future with improvements in SSI, social security, and private pensions. For example, fourteen states now provide supplemented SSI benefits which are above the poverty level. And in these fourteen states reside about 40 percent of the total aged population.

Thus, in recent years there has been less talk about eliminating poverty among the elderly (since this goal seems close to achievement for the bulk of the aged). Now many people have begun to argue that benefits should be related to some kind of retirement budget based on observed needs and desired life styles of the elderly. For example, the 1971 White House Conference on Aging recommended that adequate income be defined by the Bureau of Labor Statistics' "budget for an elderly couple."

The Bureau of Labor Statistics' budget is for retired, aged couples who are "self-supporting, living independently in their own home, in reasonably good health, and able to take care of themselves." The generalized conception of the living standard is translated into a list of commodities and services which can be priced. The "intermediate level" budget is currently around \$6,000 per year for an elderly couple.

The establishment of such a budget standard (or even a variety of budgets) for various groups or categories of the aged can never (and are not intended to) adequately reflect the even greater variety of economic circumstances of these aged families prior to retirement. The budgets do "not show how an 'average' retired couple actually spends its money, nor does it show how a couple should spend its money . . . In general, however, the representative list of goods and services comprising the standard reflects the collective judgment of families as to what is necessary and desirable . . ."

ADMINISTRATION RESPONSE

Thus, the Nixon Administration responded to the adequacy of income recommendation of the 1971 White House Conference as follows:

The Administration does not concur in the recommendations of the delegates to the Conference that the "intermediate" budget developed by the Bureau of Labor Statistics become the national goal in this area . . . While these [budget] studies are interesting and useful in their own right, they provide no basis for knowing whether any particular level of income is "adequate" under varying sets of circumstances.

Also, while it is easy to adjust these budgets for price changes, it is much more difficult to adjust them so that they reflect the changing levels of living in the economy; such adjustments contain a high degree of arbitrariness.

An alternative way (other than poverty indexes or budget levels) of specifying for policy purposes the operational income maintenance goals of various pension programs is to specify the proportion of prior earnings which are to be guaranteed to the worker upon retirement through pension programs. In recent years the public pension systems of many countries have sought to express pensions benefits as a proportion of earnings.

But in the United States, aside from general recommendations calling for the improvement of pensions by increasing benefit levels, there has been almost no discussion of just what the appropriate replacement of earnings should be. And if one looks, for example, at actual and projected social security pension replacement rates for social security recipients, one finds the pension replacement rates to be very low. For example, if pension amounts are compared with a worker's average earnings five years prior to retirement, one finds that a majority of the aged in the United States receive a pension which is less than 50 percent of their prior earnings.

¹ U.S. Bureau of Census, "Characteristics of the Low-Income Population, 1973," Advance Report Series P-60, No. 94 (Washington, D.C.: GPO, July 1974).

For example, only 6 percent (6 percent) of aged couples with average preretirement earnings between \$8,000 and \$9,000 receive a pension replacing 50 percent of earnings.

It makes little sense to base public or private pensions on a lifetime earnings average. By the very nature of the averaging process, this lifetime average is reflective of a living standard experienced decades before retirement. But one would expect retiring families to have become accustomed to the higher living standard typically associated with the later years just before retirement. One would not expect the act of retirement or reaching the age of 62 or 65 to magically change a family's standard of living expectation.

In fact, the "golden years" of retirement are often glamorized as those years when an individual is finally free of work constraints and able to enjoy life more. But we know that this is currently wishful thinking for many retired persons in the United States and other countries. Thus, it seems clear to me that it is not unreasonable to base pension plans on a goal of preventing a major decline in lifestyle as a result of retirement.

In a book just released by New England Press, I report on a study of innovative pension reform in four countries.² In Germany, Sweden, and Belgium the objective of "maintaining living standards during retirement" was an important consideration in designing the current pension program. In Canada the major emphasis was on developing a tiered income maintenance system where the programs in each tier were more adequate and equitable than the programs existing before the reform.

NEW POLICIES NEEDED

It is my belief that these pension programs illustrate the general direction which the United States should take in the further development of its old-age pension system. By making such a statement I do not mean that the United States mix of private and public pensions should be similar to, say, West Germany—where there is almost total reliance on public pensions. Rather, I believe this country should formulate new policies to improve both private and public pensions in the United States—starting not with a poverty standard of adequacy but rather using a standard which recognizes the desirability and reasonableness of maintaining living standards in retirement. To start with, I propose the adoption of an adequacy of income standard for social security old-age benefits which would provide inflation protected benefits equal to at least 55 percent of the individual's or family's preretirement average earnings during the best ten of the last fifteen years prior to retirement.

The current social security old-age pension program in the United States could easily be modified along the lines suggested above. The old-age pension program in the United States was designed as an insurance program for the replacement of earnings loss due to retirement, has always related benefits to prior earnings, and implicitly specifies a rate of earnings replacement by specification of the benefit calculation formula. In general, all that is required to implement the new adequacy standard is (a) a more widespread recognition of the earnings replacement implications of the program, (b) a more detailed study of the replacement rates achieved by the present regulations of the program, (c) and—most importantly—a collective decision regarding changes required to improve the earnings replacement potential of the program for all or various categories of beneficiaries.

The establishment of more adequate collective public pensions based upon this adequacy standard need not discourage individual initiative nor eliminate private pensions. Instead, it would give individuals a more secure base upon which to base their personal saving decisions and encourage private pensions to expand and more adequately deal with the "special problems," unique needs, or varying retirement preferences of different groups of workers. To maintain living standards in retirement, individuals with 55 percent social security replacement would have to have income equal to another 10 to 20 percent of preretirement earnings.

I would like to emphasize another major point, given the improving economic situation of the elderly. We can no longer generalize about the economic situation of all the aged as one group. We must distinguish, for example, between the working aged and the retired aged, between the very old and those just retiring, between widowed and married women, between the white and the non-white aged, and between those retired elderly with private pensions and those with only a public pension.

² James H. Schulz, et al., "Providing Adequate Retirement Income—Pension Reform in the United States and Abroad" (Hanover, New Hampshire: The University Press of New England, 1974).

For example, with the growth of private pensions there is developing a gap between the economic situation of those with and those without private pensions. Increasing numbers of Americans are scheduled to receive combined public and private pensions equal to 60, 70, or even 80 percent of their preretirement earnings. But more than half of the labor force is still not even covered by private pensions. The rapid growth of coverage which characterized the past two decades appears to have ended. Prospects of coverage for large segments of the work force do not appear to be good. Thus, we see an important division occurring in the retired aged population, between the two-pension aged (the pension elite) and the one-pension family. How are we to justify the equity of the growing economic chasm between these two groups?

But even the growing and fortunate group of retirees with two pensions must still face the major threat of inflation eroding the real level of their private pension benefits. Very, very few private pension plans today provide benefits which are adjusted during retirement for increases in the cost-of-living. Given current rates of inflation, for example, the purchasing power of a private pension benefit will be cut in half over the retirement period. This lack of inflation protection is a most serious deficiency of private pensions and threatens the adequacy of retirement income, for even the "pension elite."

VESTING REQUIREMENT DISCRIMINATORY

In addition to lack of inflation protection, private pensions are very weak in two other major areas: vesting and widow benefits. Both of these weaknesses operate disproportionately against women. Vesting provisions clearly favor the immobile or "steady" worker. For example, women who must follow their husbands as they move from plant to plant in a company or women who interrupt their paid employment to fulfill family obligations face the prospect of lost pension rights due to 10-15 year vesting requirements.

Private pension benefits are often cancelled or are drastically reduced if the worker dies (before or after retirement). Moreover, workers often face the option of electing either a small, inadequate pension benefit without a widow's benefit or an even smaller and less adequate pension with some provision for the widow.

And while pension plans vary considerably—with some significantly better than others—the worst plans tend to be concentrated in the trade and service industries where women are disproportionately represented.

Social security is also sexist. In the favor of women, it ignores the greater life expectancy of females and pays them actuarially greater social security benefits than men. On the other hand, working women often contribute to social security without the family receiving commensurately higher benefits. And, most importantly, the inadequate benefit levels of the social security system generate an especially high incidence of poverty among women. Half of the aged who are living in poverty today, for example, are widowed women.

Still another area of major concern is the "early retirement" trend in the United States. Many people today think that most workers are forced to retire as a result of mandatory retirement provisions. This is just not true. About half the labor force is not subject to mandatory retirement rules. Most of the workers who are subject to such rules retire voluntarily before reaching the mandatory age. In fact, statistics indicate that less than 10 percent of older workers want (and are able) to continue working beyond the mandatory retirement age but are unable to do so.³ The crisis facing us is not so much a flood of forced retirements; rather it is the flood of early retirees and the rising economic burden of supporting them. Instead of encouraging people to retire early, we need to be expanding the options open to older people in dividing their time between leisure and work.

The economic problems of old-age are not behind us. Historically, the great bulk of older people in most countries have enjoyed very low living standards—often sharply reduced from their pre-retirement years. It seems clear that this situation resulted not so much from an explicit decision of these people to live in poverty. Rather it resulted—

First, from frequent national economic fluctuations with recurring depressions and inflations;

Second, from individual difficulties in retirement preparation arising from this economic instability and the generally low levels of income available during the working years;

And finally, from the lack of national retirement planning.

³ See James H. Schulz, "The Economics of Mandatory Retirement," *Industrial Gerontology* (winter 1974), 1-10.

With the development of collective means of retirement security through pension systems, the economic situation of the retired has changed significantly. Still it is generally agreed that in almost all countries improvements must be made.

As I have tried to emphasize, we can no longer base any government policy affecting the elderly on the assumption that the elderly are poor. Not many years ago, when most of the elderly were in fact poor, we tended to respond to the problem with band-aid solutions—old-age assistance, a few special housing projects, and modest social services. Major reform of social security, private pensions, and health care have provided splints, casts, and bandages to replace the band-aids. The patients are still sick, but they suffer from a variety of ills. There is no one program or policy which can deal with the variety of economic problems confronting our heterogeneous elderly population.

Moreover, a new problem now confronts us. With the recent decline in birth rates, we now realize that our ability to improve the economic situation of the elderly may be limited by the changing demographic profile of our population. Specification of any level of retirement income and service adequacy can be translated into its cost to the working population. And, as the population ages with declining birth rates, this cost per worker will rise.

The "aging" of our population—coinciding with a rise in retirement income expectation—indicates a clear need for long-run planning to distribute these rising costs equitably over succeeding generations. But more importantly, there is a need to rethink the allocation of leisure over the lifespan since the relative number of workers versus retired persons is determined not only by birth and death rates but also by the age at which people retire.

While the federal government must be the primary one to grapple with financial constraints imposed by demographic shifts, particularly as this change affects the financing of social security—it is my belief that private industry must take the leadership in developing programs to respond to the very real and special needs of our heterogeneous aged population.

To me the question is not, "Have we done enough for the elderly?" For it is clear to me that the young and old alike must work together. Together we must be prepared to meet the current and future economic challenges of old-age—an old-age, thanks to the advances in public health and medical knowledge, which we all must face.

ITEM 2. LETTER FROM HARRIET MILLER,* ASSOCIATE DIRECTOR, NATIONAL RETIRED TEACHERS ASSOCIATION/AMERICAN ASSOCIATION OF RETIRED PERSONS; TO SENATOR FRANK CHURCH, DATED APRIL 2, 1975

DEAR SENATOR CHURCH: The remarks in my March 19th testimony, presented on behalf of NRTA-AARP, favoring the use of a "trigger" mechanism for OASDI cost-of-living adjustments similar to that used by the civil service system was intended to relate only to the timing and frequency of such adjustments. I did not intend my remarks to suggest that the Associations were advocating the "1 percent add on" which relates to the degree to which civil service benefit levels are adjusted upwards.

Our Associations fully appreciate that benefit increases (whether "real" or cost-of-living) are costly and must be financed. We tend to think that real OASDI benefit increases should be the result of deliberate and debated policy choices by the Congress and not merely an incident to otherwise automatic cost-of-living increments that are designed merely to maintain the purchasing power of existing benefit levels.

I would point out, however, that the Associations do not believe that current earnings replacement ratios in the OASDI program are adequate and are not willing to accept the Advisory Council's recommendation that, in restructuring the computation of future OASDI benefits, the formula used should be designed to continue replacement ratios at current levels. Current replacement ratios are inadequate to assure that preretirement standards of living will be continued during retirement and periods of disability. When the Congress undertakes to consider legislation to restructure the computation of OASDI benefits for future disabled or retired workers and their dependents, the formula contained in that legislation should be designed to provide an earnings replacement ratio of at least 55 percent of preretirement earnings. The Associations are therefore advocates of real benefit increases but those increases would be the result of a deliberate policy

*See statement, p.901.

choice by the Congress in favor of higher replacement ratios. We believe that general revenues should be used to finance much of the attendant cost of these ratios.

When I said in my testimony that the Social Security and Medicare programs "should provide a degree of system flexibility sufficient to accommodate, over both the short and long term, economic and demographic trends more pessimistic than those used by the OASDI trustees and the Council", I was not implying that the system should accumulate substantially larger trust funds than those presently available. Certainly, the trust funds should be of sufficient size to assure that benefits will continue to be paid even during "hard times" such as those we are presently experiencing. My remarks were really directed at what our Associations perceive to be an increasing need to make available to the system "new" sources of revenue in addition to those generated by the payroll and self-employment taxes.

Our Associations have recommended that the cost-of-living adjustments be financed out of general revenues. We have recommended that general revenues be used to introduce greater tax equity in the payroll and self-employment taxes by lessening the degree to which those tax systems are regressive. Such tax reform would become even more imperative if the Congress were to accept the Advisory Council's recommendation that, with respect to benefits for future retired and disabled workers, benefit levels never exceed 100 percent of AIME. A lessening of the degree to which benefits are weighted in favor of those who worked at low wages and contributed less to the system would only be acceptable if the burden of the payroll/self-employment taxes on this group were also lessened.

Finally, we believe that the general revenues will have to be used to provide the additional financing that will be necessary if the OASDI programs are to provide an earnings replacement ratio as high as that we recommend. The introduction of general revenues into the OASDI programs would provide the system with the flexibility the Associations believe to be necessary.

Sincerely,

HARRIET MILLER,
Associate Director.

ITEM 3. NEWSPAPER ARTICLE FROM THE NEW YORK TIMES, MARCH 19, 1975

SENATORS THINK SOCIAL SECURITY CAN OVERCOME ECONOMIC WOES

WASHINGTON, March 18 (UPI)—Republican and Democratic Senators expressed faith in the Social Security system today but said that changes must be made to ensure its financial future.

They spoke out at a hearing by the Senate Special Committee on Aging following reports of grave money problems faced by the system, which provides retirement benefits to 35 million aged and disabled citizens.

The committee's chairman, Frank Church, Democrat of Idaho, opened three days of hearings by saying, "I don't think there can be any doubt about the fact that a re-examination of the immediate and long-range future of Social Security is in order. But from my own analysis of the situation, we do have the time to make those adjustments."

"I have been aghast at the verbal battle waged during the last few months over the financial soundness of the Social Security system," added Senator Charles H. Percy, Republican of Illinois. "It is as fiscally irresponsible and cruel to the elderly to ignore reality and leave these problems to future generations as it is to declare that the system will soon collapse—and do nothing to prevent it," Mr. Percy said.

One of a number of recent Social Security reports to Congress predicted that the system's trust funds held for emergencies will be depleted by 1981 if current trends continue.

Mr. Church earlier released a number of letters from senior citizens complaining that Social Security payments were not keeping up with the cost of living.

"My rent (I live in a mobile home park) was raised \$20 more a month last month," wrote a Sarasota, Fla., retiree. "We buy day-old bread. Milk is 50 cents a quart. A 6 percent increase in our Social Security would come to \$16 a month. The rent increases takes more than that."

An 8.7 percent increase in Social Security benefits is scheduled to take effect in July. But President Ford wants to hold the increase to 5 percent to fight inflation.



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